

The Board has established three board committees (Board Committees) to assist in the execution of its responsibilities. They are the Audit Committee (AC), the Remuneration Committee (RC) and the Nominating Committee (NC). The terms of reference and composition of each Board Committee are presented in the following sections of this Report.

*Guideline 1.3 of the Code: Disclosure on delegation of authority by Board to Board Committees*

The Board held four scheduled meetings in the financial year ended 31 December 2017. Ad hoc Board meetings are also held whenever the Board's guidance or approval is required, outside of the scheduled Board meetings.

*Guideline 1.4 of the Code: Board to meet regularly*

The attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2017 is disclosed below:-

	Board	Board Committees		
		Audit	Remuneration	Nominating
<b>Number of scheduled meetings held</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>
<b>Name of Directors</b>				
Mr Or Kim Peow	4	*4	*1	*1
Mr Or Toh Wat	4	*4	*1	*1
Mdm Ang Beng Tin	3	*3	*1	*1
Mr Or Kiam Meng	4	*4	*1	*1
Mr Oh Enc Nam	4	*4	*1	*1
Mr Or Lay Huat Daniel	4	*4	*1	*1
Dr Chen Seow Phun, John	4	4	1	1
Mr Nirumalan s/o Kanapathi Pillai	4	4	1	1
Mr Tan Boen Eng	4	4	1	1

(\*) – attendance by invitation of the relevant Committee

Dates of Board, Board Committee and annual general meetings are scheduled in advance in consultation with the Directors to assist them in planning their attendance. A Director who is unable to attend a Board meeting can still participate in the meeting via telephone conference, video conference or other similar means of communication. Telephonic attendance and conference via audio communication at Board meetings are allowed under Article 120(2) of the Company's Articles of Association.

We believe that contributions from each Director can be reflected in ways other than the reporting of attendances of each Director at Board and/or Board Committee meetings. A Director would have been appointed on the strength of his or her calibre, experience and stature, and his or her potential to contribute to the proper guidance of the Group and its businesses.

To focus on a Director's attendance at formal meetings alone may lead to a narrow view of a Director's contribution. It may also not do justice to his or her contribution which can be in many different forms, including Management's access to him or her for guidance or exchange of views outside the formal environment of Board meetings. In addition, he or she may initiate relationships strategic to the interests of the Group.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

*Guideline 1.5 of the Code: Matters requiring Board approval*

## CORPORATE GOVERNANCE REPORT (CONT'D)

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides information about its history, mission and values to the Directors. The Directors may, at any time, visit the Group's construction sites in order to gain a better understanding of business operations. There are also update sessions to inform the Directors on new legislations and/or regulations which are relevant to the Group. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are briefed at Board meetings. During the financial year, the Directors were briefed by Nexia TS Public Accounting Corporation on the developments in financial reporting standards and the changes that affect the Group. In addition, the Company has signed up for a corporate membership with the Singapore Institute of Directors (SID) for three years. The objective is to be involved in SID's activities and enable the use of SID's one-stop corporate governance resources centre in order to improve OKP's corporate governance standards.

*Guidelines 1.6 of the Code: Directors to receive appropriate training*

All the Directors are informed and encouraged to attend seminars, courses and other programmes, particularly on relevant new laws, regulations and changing commercial risks, from time to time, in order to discharge their duties as directors. The training programmes are conducted by the SID, Singapore Exchange, and business and financial institutions and consultants. All the costs are borne by the Company. During the financial year, some of the Directors attended the XXI World Congress on Safety and Health at Work 2017 in Singapore held from 3 to 6 September 2017 and organised by the Singapore Ministry of Manpower, together with the International Labour Organisation and the International Social Security Association.

Newly-appointed Directors will be briefed on the business and organisation structure of the Group and its strategic plans and objectives. All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations. Directors may, at any time, request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from the Management.

*Guideline 1.7 of the Code: Formal letter to be provided to Directors setting out their duties*

### **Board Composition and Guidance**

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

#### **Our Policy and Practices:**

Currently, the Board consists of nine Directors, of whom three are considered independent by the Board. There is a strong independent element on the Board, with Independent Directors constituting one-third of the Board. This enables the Management to benefit from their external, diverse and objective perspective of issues that are brought before the Board. It also allows the Board to interact and work with the Management through a constructive exchange of ideas and views to shape the strategic process.

*Guideline 2.1 of the Code: One-third of directors to be independent*

The Group Chairman, Mr Or Kim Peow, and the Group Managing Director, Mr Or Toh Wat, are immediate family members as well as part of the Management. However, the Board is of the opinion that based on the Group's current size and operations, it is not necessary nor cost-effective to have independent directors make up at least half of the Board. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making.

*Guideline 2.2 of the Code: Independent directors to make up at least half of the Board in certain circumstances*

The independence of each Director is reviewed by the NC on an annual basis. Annually, each Independent Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC adopts the Code's definition of what constitutes an "independent" Director in its review. The NC 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 with a view to the best interests of the Company.

*Guideline 2.3 of the Code: Disclosure of Directors considered to be independent*

One of the Directors, Mr Nirumalan s/o V Kanapathi Pillai is the Senior Director of Niru & Co LLC, which provides legal and professional services to the Group from time to time. The NC is of the view that the business relationship with Niru & Co LLC will not interfere with the exercise of independent judgement by Mr Niru in his role as an Independent Director as matters involving the Group are usually handled by the other directors of Niru & Co LLC. The total professional fees paid to Niru & Co LLC in FY2017 amounted to \$65,407. As such, the NC considers Mr Niru to be independent.

The NC and the Board determine annually whether a Director who has served on the Board beyond nine years from the date of his first appointment, is independent, taking into account the need for progressive refreshing of the Board. The Board observes that the Independent Directors who have served on the Board for more than nine years have been exercising independent judgement in the best interests of the Company in the discharge of their duties and should continue to be deemed independent. 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. It is also noted that each of them is able to exercise objective judgement on commercial and corporate governance matters independently. They seek clarification as they deem necessary, with direct access to the Management. As such, the Board would exercise its discretion to extend the term and retain the services of the Director rather than lose the benefit of his or her contribution. After due consideration and careful assessment, the NC and the Board are of the view that Dr Chen Seow Phun, John, Mr Nirumalan s/o V Kanapathi Pillai and Mr Tan Boen Eng continue to be considered independent, notwithstanding that they have served on the Board for more than nine years.

*Guideline 2.4 of the Code: Independence of Director who has served on the Board beyond nine years should be subject to rigorous review*

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

*Guideline 2.5 of the Code: Board to determine its appropriate size*

The Board reviews its composition from time to time and seeks to maintain a diversity of expertise, skills, gender, age, ethnicity and other attributes among the Directors. The Board comprises businessmen with vast business or management experience, industry knowledge and strategic planning experience and includes professionals with financial, accounting and legal backgrounds. Profiles of the Directors are found in the "Board of Directors" section of the Annual Report. The NC is satisfied that the current Board comprises persons who, as a group, provide core competencies, such as accounting or finance, business or management experience, industry knowledge and strategic planning experience, required for the Board to be effective.

*Guideline 2.6 of the Code: Board to comprise Directors with core competencies*

## CORPORATE GOVERNANCE REPORT (CONT'D)

The Board is of the view that gender is one aspect of diversity and will ensure that any brief to external consultants to search for candidates for appointment to the Board will include a requirement to present female candidates. In relation to gender diversity, one out of the nine Board members is female.

The Independent Directors are non-executive Directors of the Company. They constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

*Guideline 2.7 of the Code: Role of non-executive directors*

The Independent Directors met or communicated amongst themselves without the presence of the Management twice during FY2017.

*Guidelines 2.8 of the Code: Regular meetings of non-executive directors*

### Chairman and Chief Executive Officer

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

#### **Our Policy and Practices:**

The Company believes that a distinct separation of responsibilities between the Group's Chairman (Group Chairman) and the Group's Managing Director (Group MD) will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The posts of Group Chairman and Group MD are held by Mr Or Kim Peow and Mr Or Toh Wat respectively. Mr Or Toh Wat is the son of Mr Or Kim Peow. Both are Executive Directors.

*Guideline 3.1 of the Code: Chairman and CEO should be separate persons*

As Group Chairman, Mr Or Kim Peow is primarily responsible for overseeing the overall management and strategic development of the Group. His responsibilities include:

*Guideline 3.2 of the Code: Chairman's role*

- Determining the Group's strategies;
- Promoting high standards of corporate governance;
- Ensuring effective succession planning for all key positions within the Group;
- Scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- Setting the meeting agenda (in consultation with the Group MD);
- Assisting in ensuring the Group's compliance with the Code;
- Ensuring that Board meetings are held when necessary; and
- Reviewing relevant board papers before they are presented to the Board.

#### Note:

- (1) According to the Code, an "independent" Director is defined as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

As Group MD, Mr Or Toh Wat is responsible for effectively managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board. Mr Or Toh Wat executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's businesses. His responsibilities include:

- Executing and developing the Group's strategies and business objectives;
- Reporting to the Board on all aspects of the Group's operations and performance;
- Providing quality leadership and guidance to employees of the Group; and
- Managing and cultivating good relationship and effective communication with the media, shareholders, regulators and the public.

Both the Group Chairman and the Group MD exercise control over the quality, quantity and timeliness of information flow between the Board and the Management, and between the Executive Directors and Independent Directors.

Both the Group Chairman and the Group MD also ensure effective communication with shareholders. They take a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and the Management. The Group MD, assisted by the Management, makes strategic proposals to the Board and after constructive board discussion, executes the agreed strategy, manages and develops the Group's businesses, and implements the Board's decision.

In view that the Group Chairman and the Group MD are immediate family members, the Board has appointed Dr Chen Seow Phun, John as Lead Independent Director (LID) to lead and coordinate the meetings and activities of the Independent Directors. The LID is available to shareholders where they have concerns for which contact through the normal channels of the Group Chairman or Group MD has failed to resolve or for which such contact is inappropriate.

*Guideline 3.3  
of the Code:  
Appointment of  
LID*

The Independent Directors, led by the LID, met or communicated amongst themselves without the presence of the other Directors twice during FY2017, and the LID provides any feedback to the Group Chairman after such meetings.

*Guideline 3.4  
of the Code:  
Led by the LID,  
independent  
directors to meet  
periodically*

### **Board Membership**

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

#### **Our Policy and Practices:**

The NC was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Mr Tan Boen Eng (Chairman)  
Dr Chen Seow Phun, John (Member)  
Mr Nirumalan s/o V Kanapathi Pillai (Member)

*Guideline 4.1 of  
the Code: NC  
to recommend  
all Board  
appointments*

## CORPORATE GOVERNANCE REPORT (CONT'D)

The key terms of reference of the NC are as follows:

- To make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors;
- To review nominations for the appointment and re-appointment of Directors to the Board and the various Board Committees;
- To decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director;
- To decide, where a Director has multiple board representations, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- To ensure that all Directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years; and
- To determine on an annual basis whether or not a Director is independent.

The NC is charged with the responsibility of re-nominating the Directors. Pursuant to Article 107 of the Company's Articles of Association, one-third of the Directors shall retire from office at least once every three years at the Company's Annual General Meeting (AGM). In addition, Article 109 provides that the retiring Directors are eligible to offer themselves for re-election. Article 112 provides that each term of appointment of the Group MD shall not exceed five years. The NC reviews the training and professional development programmes for the Board.

*Guideline 4.2 of the Code: NC to recommend to the Board on certain relevant matters*

The NC is also charged with determining annually whether or not a Director is independent. Annually, each Independent Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC is of the view that the non-Executive Directors are independent.

*Guideline 4.3 of the Code: NC to determine Directors' independence annually*

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. In support of their candidature for directorship or re-election, Directors are to provide the NC with details of their other commitments and an indication of the time involved. In addition, Directors should consult the NC before accepting any new appointments as Directors. The NC has addressed the competing time commitments faced by Directors serving on multiple boards and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The Board has determined that a Director may hold up to 8 listed company board representations. None of the Directors of the Company hold more than 8 listed company board representations.

*Guideline 4.4 of the Code: Ensure Directors with multiple board representations give sufficient time and attention to the Company*

Currently, the Company does not have alternate directors.

*Guideline 4.5 of the Code: Boards should avoid approving the appointment of alternate directors.*

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director. The NC has put in place a process for the selection of new Directors and re-election of incumbent Directors to increase transparency of the nominating process in identifying and evaluating nominees. The NC leads the process and makes recommendations to the Board as follows:

*Guideline 4.6 of the Code: Description of process for selection and appointment of new Directors to be disclosed*

- (a) the NC will evaluate the candidates skilled in core competencies such as technical, financial or legal expertise and experience in a similar or related industry, determine the selection criteria in consultation with the Board, and select candidates with the appropriate expertise and experience for the position, taking into account the value of gender diversity on the Board;
- (b) the NC will use external help, which includes the Company's auditors, its human resources consultants and the Singapore Institute of Directors, to source for potential candidates if needed. Directors and the Management may also make recommendations;
- (c) the NC meets the shortlisted candidates to assess suitability and ensure that candidates are aware of the expectation and the level of commitment required; and
- (d) the NC then makes recommendations to the Board for approval.

Information in respect of the academic and professional qualification, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of the Annual Report.

*Guideline 4.7 of the Code: Key information regarding directors*

The dates of initial appointment and last re-election of each of the Directors are set out below:

Name	Age	Position	Date of initial appointment	Date of last re-election
Mr Or Kim Peow	83	Group Chairman	15 February 2002	24 April 2017
Mr Or Toh Wat	50	Group Managing Director	15 February 2002	Not Applicable
Mdm Ang Beng Tin	62	Executive Director	20 March 2002	27 April 2015
Mr Or Kiam Meng	53	Executive Director	20 March 2002	24 April 2017
Mr Oh Enc Nam	62	Executive Director	20 March 2002	18 April 2016
Mr Or Lay Huat Daniel	40	Executive Director	1 August 2006	18 April 2016
Dr Chen Seow Phun, John	64	Lead Independent Director	25 June 2002	24 April 2017
Mr Nirumalan s/o V Kanapathi Pillai	65	Independent Director	1 June 2005	27 April 2015
Mr Tan Boen Eng	85	Independent Director	25 June 2002	18 April 2016

Mdm Ang Beng Tin is the wife of Mr Or Kim Peow. Mr Or Toh Wat, Mr Or Kiam Meng and Mr Or Lay Huat Daniel are the sons of Mr Or Kim Peow. Mr Oh Enc Nam is the nephew of Mr Or Kim Peow.

Mr Or Toh Wat, Mdm Ang Beng Tin and Mr Nirumalan s/o V Kanapathi Pillai will retire by rotation at the forthcoming AGM and be subject to re-election by the Company's shareholders.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Board Performance

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

### **Our Policy and Practices:**

We believe that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led and managed. The Board's performance is also tested through its ability to lend support to the Management, especially in times of crisis and to steer the Group in the right direction.

Based on the recommendations of the NC, the Board has established processes and objective performance criteria for assessing the effectiveness of the Board as a whole and the effectiveness of individual Directors.

- (a) Assessment of the effectiveness of the Board as a whole  
The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist. The Board Assessment Checklist takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance which allow for comparison with industry peers. The selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2017.
- (b) Assessment of the contribution of individual Directors to the effectiveness of the Board  
At the end of each financial year, the NC will evaluate the performance of each Director. The criteria include the level of participation in the Company such as his or her commitment of time to the Board and Board Committee meetings and his or her performance of tasks delegated to him or her. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2017.

In view of the size and composition of the Board, the Board deems it unnecessary for the NC to assess the effectiveness of each Board Committee.

The NC is of the view that the primary objective of the assessment exercise is to create a platform for the Board members to exchange feedback on the Board's strengths and shortcomings with a view to strengthening the effectiveness of the Board. The assessment exercise also assists the Directors to focus on their key responsibilities. It also helps the NC in determining whether to re-nominate Directors who are due for retirement at the next AGM, and in determining whether Directors with multiple board representatives are able to and have adequately discharge their duties as Directors of the Company.

The NC had conducted its assessments of the Board and the individual Directors in respect of the financial year ended 31 December 2017.

*Guidelines 5.1 and 5.2 of the Code: Board to implement process to address how the Board's performance may be evaluated and disclose the process in Annual Report*

*Guidelines 5.3 of the Code: Evaluation of each Director whether he/she continues to contribute effectively*



## Access to Information

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

### **Our Policy and Practices:**

We believe that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to be effective in the discharge of its duties. The Management is expected to provide the Board with information concerning the Company's progress or financial targets and other information relevant to the strategic issues facing the Company.

*Guidelines 6.1 and 6.2 of the Code: Board should have separate and independent access to Management; Management obliged to provide Board with adequate and timely information and include background and explanatory information*

The Management provides members of the Board with quarterly management accounts, as well as relevant background information relating to the matters that are discussed at the Board meetings. Such reports keep the Board informed of the Group's performance, financial position and prospects, and consist of the consolidated financial statements, major operational updates, background or updates on matters before the Board for decision or information, minutes of the previous Board meeting, and minutes of meetings of all committees of the Board held since the previous Board meeting. Detailed board papers are sent out to the Directors at least three working days before the scheduled meetings so that the Directors may better understand the issues beforehand, allowing for more time at such meetings for questions that Directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

All the Independent Directors have unrestricted access to the Management including the Group Financial Controller, other key management and the Company Secretary via telephone, e-mail and meetings. Any additional materials or information requested by the Directors to make informed decisions are promptly furnished.

Directors have separate and independent access to the Company Secretary. The role of the Company Secretary is clearly defined and includes responsibility for ensuring that the Board's procedures are followed and that applicable rules and regulations are complied with. The Company Secretary attends and prepares minutes of meetings of the Board and Board Committees and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Securities and Futures Act and the Listing Manual of the SGX-ST. He also advises the Board on corporate governance matters. He is also the channel of communications between the Company and the SGX-ST.

*Guidelines 6.3 of the Code: Directors should have separate and independent access to Company Secretary; role of Company Secretary to be clearly defined*

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

*Guidelines 6.4 of the Code: Appointment and removal of Company Secretary*

Each member of the Board has direct access to the Group's independent professional advisors as and when necessary to enable each member to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

*Guideline 6.5 of the Code: Procedure for Board to take independent professional advice at company's cost*

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 2. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

### **Our Policy and Practices:**

We believe that a framework of remuneration for the Board and key executives should be linked, among other things, to the development of the Management's and key executives' strengths to ensure that there is a continual development of talent and renewal of strong and sound leadership for the continued success of the Company.

The RC was formed on 10 July 2002 and comprises entirely Independent Directors, namely:

Mr Nirumalan s/o V Kanapathi Pillai (Chairman)  
Dr Chen Seow Phun, John (Member)  
Mr Tan Boen Eng (Member)

*Guideline 7.1 of the Code: RC to consist entirely of non-executive Directors*

The key terms of reference of the RC are as follows:

- To recommend to the Board a framework of remuneration for Board members and key management personnel;
- To recommend to the Board the specific remuneration packages for each Director and key management personnel, which cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses and benefits-in-kind;
- To determine the appropriateness of the remuneration of non-Executive Directors taking into consideration the level of their contribution; and
- To review and recommend to the Board the terms of renewal of the service contracts of Directors.

None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him.

The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholder value. The members of the RC do not participate in any decisions concerning their own remuneration.

*Guideline 7.2 of the Code: RC to review and recommend to the Board a general framework of remuneration for the Board and key management personnel*

The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding directorships in the boards of other listed companies. The RC may from time to time seek advice from external remuneration consultants who are unrelated to the Company, at its discretion.

*Guideline 7.3 of the Code: RC to seek expert advice*

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors and key management personnel. The RC aims to be fair and avoid rewarding poor performance. The RC will obtain advice from external consultants for benchmarking, where necessary.

*Guideline 7.4 of the Code: RC to review the Company's obligations in event of termination of executive directors and key management personnel*

### Level and Mix of Remuneration

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

#### **Our Policy and Practices:**

The Company has a staff remuneration policy which comprises a fixed component and a variable component.

*Guideline 8.1 of the Code: Package should align Executive Directors' interest with shareholders' interest*

The fixed component comprises basic salary plus other fixed allowances. To ensure that key executives' remuneration is consistent and comparable with market practice, the RC regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

The variable component is linked to the performance of the Company and the individual. In the financial year ended 31 December 2017, variable or performance related income/bonus made up 42.0% to 52.0% of the total remuneration of each Director. The variable remuneration is reviewed and approved by the RC to ensure alignment of the Directors' interests with those of shareholders and promote the long-term success of the Group.

In setting remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated as compared to the employment conditions in the industry and in comparable companies. The Company benchmarks the Directors' annual fixed salary at the market median with the variable compensation being performance driven.

Currently, the Company does not have any long-term incentive schemes.

*Guideline 8.2 of the Code: Long-term incentive schemes are encouraged*

## CORPORATE GOVERNANCE REPORT (CONT'D)

All Independent and non-Executive Directors have no service agreements with the Company. They are paid Directors' fees, which are proposed by the Board based on the effort, time spent and responsibilities of the Independent Directors. The Directors' fees are subject to approval by the shareholders at each AGM of the Company. The non-Executive Directors are not over-compensated to the extent that their independence may be compromised. Except as disclosed, the Independent and non-Executive Directors do not receive any remuneration from the Company.

*Guideline 8.3 of the Code: Remuneration of non-executive directors dependent on contribution, effort, time spent and responsibilities*

The RC has reviewed and approved the service agreements of all the Executive Directors. Each of the Executive Directors has a formal service agreement which is automatically renewed on a yearly basis. There are no excessively long or onerous removal clauses in these service agreements. The service agreements may be terminated by the Company giving the Executive Director one month's notice in writing, or in lieu of notice, payment of one month's salary based on the Executive Director's last drawn salary. Executive Directors are not paid directors' fees.

*Guidelines 8.4 of the Code: To consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors*

There are no termination or retirement benefits that are granted to the Directors. The RC is currently reviewing if it is necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

### Disclosure on Remuneration

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

### **Our Policy and Practices:**

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not Directors of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Corporate Governance Report and in the financial statements of the Company.

*Guidelines 9.1, 9.2 and 9.3 of the Code: Remuneration of Directors and top 5 key management personnel*

To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management personnel. The remuneration levels are in line with industry practices and the variable bonuses are linked to the Company's and the individual's performance.

A breakdown showing the level and mix of each individual Director's remuneration in the financial year ended 31 December 2017 is as follows:

The level and mix of remuneration of each Director for the financial year ended 31 December 2017

Remuneration Band & Name of Director	Base/ fixed salary *	Variable or performance related income/ bonuses	Directors' fees **	Directors' Allowance	Benefits- in-kind	Total
<b>\$750,000 to \$999,999</b>						
Mr Or Kim Peow	45.0%	42.0%	–	9.0%	4.0%	100.0%
<b>\$500,000 to \$749,999</b>						
Mr Or Toh Wat	39.0%	51.0%	–	9.0%	1.0%	100.0%
Mdm Ang Beng Tin	38.0%	51.0%	–	9.0%	2.0%	100.0%
Mr Or Kiam Meng	38.0%	50.0%	–	9.0%	3.0%	100.0%
Mr Oh Enc Nam	38.0%	52.0%	–	9.0%	1.0%	100.0%
Mr Or Lay Huat Daniel	39.0%	51.0%	–	9.0%	1.0%	100.0%
<b>Below \$250,000</b>						
Dr Chen Seow Phun, John	–	–	100%	–	–	100.0%
Mr Nirumalan s/o V Kanapathi Pillai	–	–	100%	–	–	100.0%
Mr Tan Boen Eng	–	–	100%	–	–	100.0%

**Notes:**

\* Inclusive of Central Provident Fund contributions

\*\* These fees are subject to the approval of the shareholders at the forthcoming AGM

\*\*\* The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

The Group has three key management personnel (who are not Directors of the Company).

A breakdown showing the level and mix of the three key management personnel (who are not Directors of the Company) in the financial year ended 31 December 2017 is as follows:

The level and mix of remuneration of each key management personnel for the financial year ended 31 December 2017

Remuneration Band & Name of Key Executive	Base/ fixed salary *	Variable or performance related income/ bonuses	Benefits- in-kind	Total
<b>\$250,000 to \$499,999</b>				
Ms Ong Wei Wei	71.0%	25.0%	4.0%	100%
Mr Or Yew Whatt <sup>(1), (3)</sup>	66.0%	34.0%	–	100%
<b>Below \$250,000</b>				
Mr Oh Kim Poy <sup>(2), (3)</sup>	71.0%	29.0%	–	100%

\* Inclusive of allowances and Central Provident Fund contributions

\*\*\* The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

(1) Mr Or Yew Whatt is the nephew of Mr Or Kim Peow, the Group Chairman and the brother of Mr Oh Enc Nam, the Executive Director.

(2) Mr Oh Kim Poy is the brother of Mr Or Kim Peow, the Group Chairman.

(3) Both Mr Or Yew Whatt and Mr Oh Kim Poy are directors of a subsidiary of the Company.

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2017 was \$697,392 (FY2016: \$681,309).

## CORPORATE GOVERNANCE REPORT (CONT'D)

Save as disclosed above, there was no employee of the Company and its subsidiaries who was an immediate family member of a Director and whose remuneration exceeded \$50,000 during the financial year ended 31 December 2017. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent. To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to disclose the remuneration of each employee who was an immediate family member of a Director in bands of \$50,000.

*Guideline 9.4 of the Code: Disclosure of remuneration of employees who are immediate family members of Director and whose remuneration exceeds \$50,000*

Currently, the Company does not have any employee share schemes.

*Guideline 9.5 of the Code: Details of employees share schemes*

Executive Directors do not receive directors' fees. The Company advocates a performance-based remuneration system for Executive Directors and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

*Guideline 9.6 of the Code: To disclose information on the link between remuneration paid to the Executive Directors and key management personnel, and performance.*

For the financial year ended 31 December 2017, all the Executive Directors were entitled to receive the incentive bonuses under their respective service agreements according to the performance conditions met.

### 3. ACCOUNTABILITY AND AUDIT

#### Accountability

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

#### **Our Policy and Practices:**

The Board has always believed that it should conduct itself in ways that deliver maximum sustainable value to the shareholders. The Board promotes best practices as a means to build an excellent business for the shareholders. The Board is accountable to shareholders for the Company's performance.

*Guideline 10.1 of the Code: Board's responsibility to provide balanced, understandable assessment of Company's performance and position on interim basis*

Prompt fulfilment of statutory reporting requirements is but one way to maintain the shareholders' confidence and trust in the Board's capability and integrity. The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and the Company's website. The Board will review and approve the financial reports before their release. The Board will also review and approve any press releases concerning the Company's financial results. The Company's Annual Report is available on request and accessible on the Company's website.

The Board reviews operational and regulatory compliance reports from the Management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

*Guideline 10.2 of the Code: Board to take adequate steps to ensure compliance with legislative and regulatory requirements*

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors (who represent more than 60 per cent of the Board) with monthly consolidated financial reports. However, such monthly consolidated financial reports may not always be reflective of the true and fair view of the financial position of the Group.

*Guideline 10.3 of the Code: Management should provide Board with management accounts on a monthly basis*

### **Risk Management and Internal Controls**

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

#### **Our Policy and Practices:**

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. In addition, the Company's approach to risk management is set out in the "Risk Assessment and Management" section on pages 115 to 123 of this Annual Report.

*Guideline 11.1 of the Code: Board to determine the Company's levels of risk tolerance and risk policies*

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. In addition, the Board sets the appropriate risk tolerance limits for each risk by considering the relative importance of the objectives.

The AC reviews the effectiveness and adequacy of the Group's risk management framework and internal control systems including financial, operational, compliance and information technology controls on an annual basis. In August 2012, the AC engaged an external risk management consultant, Nexia TS Risk Advisory Pte Ltd, to conduct an independent review of the effectiveness and adequacy of the Group's risk management policies and processes and make recommendations to enhance the internal controls over the risk management processes.

*Guideline 11.2 of the Code: Board to review adequacy of risk management and internal control systems*

On an annual basis, the internal auditors will conduct a review of the internal controls which address the risks identified by the external risk management consultant. Any material non-compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting, if any, are highlighted by the external auditors in the course of their statutory audit.

*Guideline 11.3 of the Code: Board to comment on the adequacy and effectiveness of the internal controls*

## CORPORATE GOVERNANCE REPORT (CONT'D)

The Management has made reference to the report prepared in August 2012 and reported to the AC for the financial year ended 31 December 2017, on the Group's risk profile, the status of the risk mitigation action plans and updates on the following areas:

- Description of the procedures and systems in place to identify and assess risks to the Group's businesses;
- Identify the gaps in the risk management processes and action plans to address the gaps; and
- Plan/actions undertaken by the Management to manage the key risk areas.

The Board, with the assistance of the AC, has undertaken an annual assessment of the adequacy and effectiveness of the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks. The Board has taken into account all significant aspects of risks, especially the safety aspects following a worksite incident at TPE/PIE on 14 July 2017. In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board has reviewed the risks which the Group is exposed to and understood the internal controls in place to manage them.

The Board has obtained written assurance from the Group MD and the Group Financial Controller that:

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

Based on (i) the Group's framework of risk management control; (ii) the internal control policies and procedures established and maintained by the Group; (iii) the work performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems were effective and adequate as at 31 December 2017.

*SGX Listing Rule 1207 (10)*

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. The external risk management consultant and the internal auditors assist the AC in carrying out its responsibility.

*Guideline 11.4 of the Code: Board to assess appropriate means to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies*



## Audit Committee

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

### **Our Policy and Practices:**

The AC of the Company was formed on 10 July 2002 and comprises entirely Independent Directors, namely :

Dr Chen Seow Phun, John (Chairman)  
Mr Nirumalan s/o V Kanapathi Pillai (Member)  
Mr Tan Boen Eng (Member)

*Guideline 12.1 of the Code: AC should comprise at least three directors, all non-executive, and the majority of whom, including the Chairman, are independent*

The AC members were selected based on their expertise and prior experience in the area of financial management. Dr Chen Seow Phun, John is a businessman. Mr Nirumalan s/o V Kanapathi Pillai is the senior director of a law firm and Mr Tan Boen Eng is a certified public accountant by profession. The Board is of the view that all members of the AC have the relevant accounting or related financial management expertise and experience to discharge their responsibilities as members of the AC.

*Guideline 12.2 of the Code: Board to ensure AC members are qualified*

The AC is authorised to investigate any matter within its terms of reference, and has full access to, and cooperation of, the Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the independent auditors.

*Guideline 12.3 of the Code: AC to have explicit authority to investigate and have full access to Management and reasonable resources*

The AC met four times in the financial year ended 31 December 2017 and the Executive Directors were invited to attend the meetings.

The AC has written terms of reference that are approved by the Board and clearly set out its responsibilities. The AC carries out its functions in accordance with the Companies Act and the Code. The key terms of reference of the AC are as follows:

*Guideline 12.4 of the Code: Duties of AC*

- To review audit plans of the Company's external auditors and internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;
- To review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with relevant financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- To review the cooperation given by the Management to the external auditors;
- To ensure that the internal audit function is adequately resourced and review the adequacy and effectiveness of the internal audit function at least annually;
- To review the cost effectiveness of the external audit, and where the external auditors provide non-audit services to the Company, to review the nature, extent and costs of such services and the independence and objectivity of the external auditors;
- To review the periodic consolidated financial statements of the Group before submission to the Board for approval for release of the results announcement to the SGX-ST;

## CORPORATE GOVERNANCE REPORT (CONT'D)

- To recommend to the Board the appointment, re-appointment or removal of the external auditors and approve the remuneration and terms of engagement of the external auditors; and
- To review all interested person transactions to ensure that each has been conducted on an arm's length basis.

The AC met with the external auditors four times during the financial year ended 31 December 2017 and once in February 2018, including without the presence of the Management. These meetings enable the external auditors to raise issues encountered in the course of their work directly to the AC. The AC also met with the internal auditor without the presence of the Management once during the financial year ended 31 December 2017.

*Guideline 12.5 of the Code: AC to meet external and internal auditors without the presence of management, annually*

The AC has evaluated the quality of work performed by the external auditors based on their response to a series of questions set out in a questionnaire. The questions seek to assess the quality of work performed by the external auditors based on a number of evaluation criteria, including emphasis on quality by the audit engagement partner and the audit firm, allocation of adequate and appropriate human resources, substantial involvement of the audit engagement partner and exercise of professional scepticism. The AC has reviewed and is satisfied with the standard of the external auditors' work.

The fees paid by the Company to the external auditors for audit and non-audit services (namely, tax advice) amounted to \$139,000 (2016:\$138,000) and \$24,750 (2016:\$24,600) respectively. The AC has undertaken a review of all non-audit services provided to the Company by the external auditors and, in the AC's opinion, they would not affect the independence of the external auditors. As such, the AC has recommended the re-nomination of the external auditors.

*Guideline 12.6 of the Code: AC to review independence of external auditors annually*

Some of the joint venture companies and associated companies of the Group are being audited by independent auditors other than those of the Company. The AC is satisfied that the scope of the audit performed by these other independent auditors is adequate.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

Pursuant to the requirements of the SGX-ST, an audit partner must not be in charge of more than five consecutive annual audits but may then return after two years. The financial year ended 31 December 2017 is the first year for which the current audit partner of Nexia TS Public Accounting Corporation is in charge of the audit of the Group.

### Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy in December 2006 to provide employees with an avenue to raise concerns about possible improprieties in financial reporting or other matters, and the AC is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

*Guideline 12.7 of the Code: AC to review arrangements for staff to raise concerns/ possible improprieties to AC*

Following the implementation of the whistle-blowing policy, a set of fraud policy which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud, corruption, dishonest practices or other misconduct which may be made, so that:

- All cases reported are objectively investigated, treated fairly and, to the extent possible, be protected from reprisal;
- Appropriate remedial measures are taken where warranted; and
- Appropriate action is taken to correct the weaknesses in the existing system of internal processes and policies which allowed the perpetration of the fraud and/or misconduct, and to prevent a recurrence.

A whistle-blower email address is created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on the financial statements before an audit commences. During the financial year ended 31 December 2017, the changes in accounting standards did not have any significant impact on the Company's financial statements. The AC also attended external seminars on finance, corporate governance, regulatory and other business related topics.

*Guideline 12.8 of the Code: AC to keep updated on changes to accounting standards*

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

*Guideline 12.9 of the Code: Director of Company's existing auditing firm should not act as member of the AC*

### **Internal Audit**

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

#### **Our Policy and Practices:**

The AC selects and approves the appointment of the internal auditors (IA). The Company has outsourced its internal audit function to HLS Risk Advisory Services Pte Ltd during the financial year ended 31 December 2017. The IA reports directly to the AC and has full access to all the Company's documents, records, properties and personnel.

*Guideline 13.1 of the Code: IA to report to AC Chairman*

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Company's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

*Guideline 13.2 of the Code: AC to ensure internal audit function is adequately resourced*

The AC is satisfied that the IA is staffed by suitably qualified and experienced personnel. The IA team comprises one executive director and one internal audit manager. The executive director is a member of the Singapore Chapter of the Institute of Internal Auditors. The IA is expected to meet or exceed the standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

*Guideline 13.3 of the Code: Internal audit function staffed with relevant experienced personnel*

The AC had reviewed and approved the internal audit plan and reviewed the results of the internal audit. The AC is satisfied that the internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

*Guideline 13.4 of the Code: IA should meet standards set by internationally-recognised professional bodies*

## CORPORATE GOVERNANCE REPORT (CONT'D)

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

*Guideline 13.5 of the Code: AC to ensure adequacy and effectiveness of the internal audit function*

The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. Internal audit plans are also aligned with the Company's risk management programme. The aim is to ensure that an effective and efficient control environment is in place to manage those risks exclusive to a particular business unit in addition to those that may be relevant on an enterprise-wide basis. During the year, the IA adopted a risk-based approach with the overall objective to focus on control weaknesses which had been highlighted by Nexia TS Risk Advisory Pte Ltd, the external risk management consultant, who had been engaged by the Company in 2012 to conduct an independent review of the effectiveness and adequacy of the Group's risk management policies and processes.

The AC is responsible for hiring and evaluating the IA by examining:

- (1) the internal audit charter;
- (2) the scope of the IAs' work;
- (3) the quality of their reports and
- (4) their independence of the areas reviewed.

The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

### 4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

#### Shareholder Rights

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

#### **Our Policy and Practices:**

The Company believes in regular and timely communication with shareholders as part of its organisational development to provide clear and fair disclosure of information about the Group's business developments and financial performance which would have a material impact on the share price or value of the Company. All shareholders are treated fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

*Guideline 14.1 of the Code: To facilitate the exercise of ownership rights by all shareholders*

Shareholders are informed of general meetings through notices published in the newspapers and reports or circulars sent to all shareholders and via the Company's website. The Company encourages shareholders' participation during the general meetings. Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures. Shareholders are informed of the voting rules and procedures at the general meeting.

*Guideline 14.2 of the Code: Company to ensure the shareholders have the opportunity to participate effectively in and vote at general meetings*

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

*Guideline 14.3 of the Code: Company to allow certain corporations to appoint more than two proxies*

### **Communication with Shareholders**

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

#### **Our Policy and Practices:**

The Company has a dedicated Investor Relations (IR) team which regularly communicates with shareholders, analysts or investors through e-mail communication and telephone to update them on the latest corporate development and at the same time address their queries. For details on the Group's IR activities, please refer to the IR section on pages 82 to 87 of this Annual Report.

*Guidelines 15.1 and 15.2 of the Code: Company to devise an effective investor relations policy to regularly convey pertinent information to shareholders and disclose information on a timely basis through SGXNET*

The Board is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the SGX-ST's listing rules. Information is communicated to shareholders on a timely basis through:

- Annual reports that are prepared and issued to all shareholders within the mandatory period;
- SGXNET and the media;
- The Company's website at <http://www.okph.com>; and
- Online Q&A forum via the investor relations channel on the financial portal at <http://www.shareinvestor.com>.

The Company's IR team communicates with the shareholders and analysts on a regular basis and attends to their queries or concerns. The Company provides an email address for shareholders or analysts at [okpir@okph.com](mailto:okpir@okph.com) and contact details of the IR team via the Company's website. During the financial year ended 31 December 2017, the Company received a number of email enquiries from shareholders, investors and analysts which were attended to within a stipulated period.

*Guideline 15.3 of the Code: Company to establish and maintain regular dialogue with shareholders*

The Company holds post-results briefings with analysts to announce the full year financial results annually. The key management team which includes the Group MD, an Executive Director and the Group Financial Controller avail themselves to meet analysts after the release of the Group's full year results. Outside of the financial results announcement periods, where necessary and appropriate, the Management would also meet analysts and fund managers who seek a better understanding of the Group's operations. In addition, the Management also conduct media interviews to give shareholders and the public deeper insights of the Group's business and management thinking when opportunities present themselves.

*Guideline 15.4 of the Code: Steps that the Company takes to solicit and understand the views of the shareholders*

#### **Dividend policy**

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

*Guideline 15.5 of the Code: Companies are encouraged to have a dividend policy*

Over the past five years, the Group has declared total annual dividends at the rate of approximately 12.5% to 48.8% of the net profit after tax based on the audited consolidated financial statements. Any dividend payments are clearly communicated to shareholders via announcements on SGXNET.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Conduct of Shareholder Meetings

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

### **Our Policy and Practices:**

The Company strives to maintain a high standard of transparency and to promote better investor communications. The Board supports active shareholder participation at AGMs and extraordinary general meetings and views such general meetings as the principal forum for dialogue with shareholders. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The full Annual Report is despatched to all shareholders and is also available on the Company's corporate website or upon request. Notices of general meetings will also be published in the Business Times and/or other newspapers.

*Guideline 16.1 of the Code: Shareholders should be allowed to vote in absentia*

The Company believes in encouraging shareholder participation at general meetings. The Articles of Association of the Company allow a shareholder to appoint up to two proxies to attend and vote in his or her place at general meetings. A shareholder who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

*Guideline 16.2 of the Code: Company should avoid "bundling" resolutions*

The Group Chairman, Group MD, Directors, Group Financial Controller and Company Secretary are in attendance at AGMs to take questions and feedback from shareholders. The members of the AC, NC and RC are also present at AGMs to answer questions relating to the work of these committees. The external auditors, Nexia TS Public Accounting Corporation, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report.

*Guideline 16.3 of the Code: Committee Chairman and external auditors to be present at AGM*

The Company prepares minutes of general meetings and makes these minutes of the discussion at the general meetings available to shareholders upon their request.

*Guideline 16.4 of the Code: Minutes to be available to shareholders*

The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the conclusion of the AGM. The Company adopts a non-electronic poll system due to the relatively low number of shareholders attending the AGM. The Company appoints an independent external party as scrutineer for the poll voting process. Prior to the AGM, the scrutineer will review the proxies and the poll voting system, and attend at the proxy verification process, to ensure that the proxy and poll voting procedures are complied with. During the AGM, the scrutineer ensures that polling has been properly carried out.

*Guideline 16.5 of the Code: Company to put all resolutions to vote by poll*

The Company informs the shareholders of the voting procedures and ensures that the shareholders are given the opportunity to participate effectively in and vote at the AGM.

## 5. SECURITIES TRANSACTIONS

The Company has adopted an Internal Code of Conduct on Dealing in the Company's securities. The Code has been modelled according to Rule 1207(19) of the Listing Manual of the SGX-ST.

Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly results or one month before the announcement of the Company's full year results, and ending on the date of the announcement of the results. Directors and all key executives are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

## 6. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that there were no material contracts of the Group involving the interests of any Director or controlling shareholder, either still subsisting at the end of financial year ended 31 December 2017 or if not then subsisting, entered into since the end of the financial year ended 31 December 2016.

## 7. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the review and approval of the Group's interested person transactions.

The AC meets quarterly to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST Listing Manual on interested person transactions.

There was no interested person transaction, as defined in Chapter 9 of the SGX-ST Listing Manual, above \$100,000 entered into by the Group during the financial year ended 31 December 2017. However, the following is disclosed for completeness:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year ended 31 December 2017 (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all interested person transactions during the financial year ended 31 December 2017 conducted under shareholders' mandate pursuant to Rule 920 \$'000
Niru & Co LLC – Professional fee	65	–

**Note:**

(a) Mr Niruumalan s/o V Kanapathi Pillai, the Independent Director of the Company, is the Senior Director of Niru & Co LLC.

## CORPORATE GOVERNANCE REPORT (CONT'D)

### 8. UTILISATION OF PROCEEDS

Exercise of 59,928,802 warrants at \$0.20 for each share as at 4 January 2013 raising net proceeds of \$12.2 million

Use of proceeds	Amount allocated (\$'million)	Amount utilised (\$'million)	Balance amount (\$'million)
To be used as general working capital for the Company	12.22	10.72	1.50

The amount of \$10.72 million had been utilised to fund the investment in and the loan to CS Amber Development Pte Ltd, an associated company of the Group.

The unutilised proceeds are deposited with a bank pending deployment. The above utilisation of net proceeds is consistent with the disclosure made in the SGXNET announcement.