

## CORPORATE GOVERNANCE

First Sponsor Group Limited (the “Company”) and its subsidiaries (the “Group”) are committed to adopting and maintaining high standards of corporate governance to protect its shareholders’ interests. The board of directors of the Company (the “Board”) and the management believe that good corporate governance is essential to the sustainability of the Group’s business and performance.

This report outlines the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the “Code”). The Group is pleased to confirm it has adhered to principles and guidelines set out in the Code, where applicable, and has identified and explained areas of non-compliance in this report.

### BOARD MATTERS

#### BOARD OF DIRECTORS

The Board is entrusted with the responsibility for the overall management of the Group. It comprises the following six members, three of whom are Independent Directors:

Mr Ho Han Leong Calvin	(Non-Executive Chairman)
Mr Ho Han Khoon	(Alternate Director to the Non-Executive Chairman)
Mr Tan Kian Seng (Appointed on 6 February 2017)	(Non-Executive Director)
Mr Neo Teck Pheng	(Group Chief Executive Officer)
Ms Ting Ping Ee, Joan Maria	(Independent Director)
Mr Yee Chia Hsing	(Lead Independent Director)
Mr Desmond Wee Guan Oei (Appointed on 6 February 2017)	(Independent Director)

The profile of each member of the Board is provided on pages 14 and 15 of this Annual Report.

#### BOARD FUNCTIONS

The duties and responsibilities of the Board are:

- to supervise and approve the strategic direction of the Group;
- to review the management performance of the Group;
- to review the business practices and risk management of the Group;
- to review the financial plans and performance of the Group;
- to approve matters beyond the authority of the management;
- to ensure that there are policies and safeguards in the internal controls systems to preserve the integrity of the assets;
- to ensure compliance with legal and regulatory requirements;
- to deliberate on and approve recommendations made by the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”); and
- to consider sustainability issues such as environmental and social factors, as part of the Group’s strategic formulation.

Decisions on approval of quarterly financial results announcements and annual audited financial statements, appointment of new directors, annual budgets, material acquisitions or disposals, corporate or financial restructuring and share issuances, funding proposals, interested person transactions, declaration of interim dividends, proposal of final dividends and other returns to shareholders, are reserved for the Board. To facilitate effective management, the Board has granted management mandates to carry out transactions below certain thresholds.

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The Board has established three board committees, namely (1) AC; (2) RC; and (3) NC, which are chaired by Mr Yee Chia Hsing, Mr Desmond Wee Guan Oei and Ms Ting Ping Ee, Joan Maria respectively. Each board committee has its own written terms of reference, which are reviewed by the Board on a regular basis or as and when necessary. Actions of the three board committees are reported to and monitored by the Board.

The Board meets on a quarterly basis to review, *inter alia*, the Group's quarterly results. Additional meetings may be convened on an ad-hoc basis as and when necessary.

### Principle 1: BOARD'S CONDUCT OF AFFAIRS

The directors' attendance at the board and committee meetings for the financial year ended 31 December 2016 is as follows:

Name of Directors	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
	Number of Meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Ho Han Leong Calvin	4	4	4	–	1	–	NA	NA
Mr Ho Han Khoo (Alternate Director to Mr Ho Han Leong Calvin)	4	4	4	4	1	1	NA	NA
Mr Lee Tse Sang Aloysius <sup>(1)</sup>	4	4	NA	NA	NA	NA	NA	NA
Mr Neo Teck Pheng	4	4	NA	NA	NA	NA	1	1
Ms Ting Ping Ee, Joan Maria	4	4	4	4	1	1	1	1
Mr Yee Chia Hsing	4	4	4	4	NA	NA	1	1
Mr Hwang Han-Lung Basil <sup>(2)</sup>	4	4	NA	NA	1	1	NA	NA

Notes:

- (1) Mr Lee Tse Sang Aloysius resigned as Non-Executive Director of the Company on 6 February 2017.
- (2) Mr Hwang Han-Lung Basil resigned as Independent Director of the Company on 6 February 2017.

For the financial year under review, the Board held four meetings and has on numerous occasions used circular resolutions in writing to approve certain decisions. As provided for in the Company's Articles of Association, directors may convene board meetings by teleconferencing or video conferencing. All directors are provided with relevant information on the Company's policies, procedures and practices relating to governance issues, including disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

The existing directors have been provided with updates and/or briefings relating to developments relevant to the Group including changes in regulatory requirements, corporate governance and accounting standards. Such updates are held at board meetings and where necessary also via presentations by external regulatory bodies, the Company's external professionals, auditors and management. The directors are at liberty to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management. The Company funded the training of its directors where applicable.

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In addition, all new directors have been provided with background information about the Group's history and core values, its strategic direction and industry specific knowledge. For any newly-appointed director who has no prior experience as a director of a listed company, training in relevant areas such as finance and compliance, as well as industry-related areas will be provided if required.

### **Principle 2: COMPOSITION AND BALANCE**

The Board consists of three Independent Directors, two Non-Executive Directors and one Executive Director. In consideration of the scope and nature of the operations of the Group, the Board's size and composition are considered appropriate for the Company's needs. The Board is satisfied that the current composition and size of the Board provide for a good mix and diversity of skills, experiences, gender and knowledge of the Company, to ensure that the Board will be able to make satisfactory and independent decisions regarding the affairs of the Company. All board appointments will be made based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

None of the Independent Directors has any relationship with the Company, its related companies, 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. No individual or group of individuals dominates the Board's decision making.

The Chairman of the Company is not an independent director. The Independent Directors constitute 50% of the Board, which complies with the requirements set out under Guideline 2.2 of the Code. This provides a strong and independent element for the Board.

The Non-Executive Directors and Independent Directors participate actively in the meetings of the Board. They provide strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy.

### **Principle 3: CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER**

Mr Ho Han Leong Calvin, the Non-Executive Chairman of the Board, has a clear role that is distinct from that of the Group Chief Executive Officer, Mr Neo Teck Pheng. The Non-Executive Chairman is not related to the Group Chief Executive Officer.

The Chairman is responsible for the workings of the Board. He leads all the board meetings and ensures that meetings are held on a timely basis to deliberate or approve matters which require the Board's attention. He is also responsible for promoting and maintaining high standards of corporate governance, ensures effective communication with shareholders and facilitates effective contributions from the Non-Executive Directors and Independent Directors. The Group Chief Executive Officer is the most senior executive in the Company and has overall responsibility for management, operations and growth of the Group's businesses.

The Board has appointed Mr Yee Chia Hsing as the Lead Independent Director of the Company, who will be available to shareholders who have concerns and for which contact through the normal channels of Chairman, the Group Chief Executive Officer or the Group Chief Financial Officer has failed to resolve or is inappropriate.

The Lead Independent Director will meet the Independent Directors of the Company without the presence of the other directors, as and when required, with feedback given to the Non-Executive Chairman after such meetings.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent. The Board has no dissenting view on the Chairman's Statement to the shareholders for the financial year under review.

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### **Principle 4: BOARD MEMBERSHIP NOMINATING COMMITTEE**

The NC comprises the following three members, majority of whom, including the Chairman of NC are Independent Non-Executive Directors:

Ms Ting Ping Ee, Joan Maria (Independent Director)	(Chairman)
Mr Yee Chia Hsing (Lead Independent Director)	(Member)
Mr Neo Teck Pheng (Group Chief Executive Officer)	(Member)

The NC was set up for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The duties and responsibilities of the NC include, *inter alia*:

- reviewing and assessing the appointment of any proposed new directors (including alternate directors if applicable) before recommending the proposed new directors for approval by the Board;
- reviewing and recommending to the Board the re-election and re-appointment of any directors (including alternate directors if applicable) who are retiring by rotation or appointed during the year at the next annual general meeting. The Articles of Association of the Company requires all directors to submit themselves for re-nomination and re-election at least every three years;
- reviewing the effectiveness of the Board annually;
- reviewing annually whether the size and composition of the Board is appropriate to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities;
- reviewing and determining annually, and as and when circumstances require, if a director is independent;
- reviewing and determining whether the director is able to and has been adequately carrying out his duties as director where a director has multiple board representations, taking into consideration other board representations and principal commitments;
- reviewing succession plans for directors and senior management and recommending to the Board for approval;
- reviewing and recommending to the Board the employment of related persons and their proposed terms of employment;
- reviewing that no individual member of the Board dominates the Board's decision making process; and
- reviewing of training and professional development programs for the Board.

The NC has met once in the financial year ended 31 December 2016 when it reviewed the independence of the Independent Directors and discussed the re-appointment of a director who was subject to retirement at the annual general meeting held on 26 April 2016. During its meeting held in February 2017, the NC has endorsed the appointment of Mr Tan Kian Seng as Non-Executive Director of the Company and Mr Desmond Wee Guan Oei as Independent Non-Executive Director of the Company and Chairman of the RC of the Company. The NC took into consideration the directors' academic qualifications, experience and expertise and has made a recommendation to the Board for the approval of the appointments. All committee members participated in the meetings and discussions.

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The NC has reviewed the independence of Ms Ting Ping Ee, Joan Maria, Mr Yee Chia Hsing and Mr Desmond Wee Guan Oei and is satisfied that there are no relationships which would deem any of them not to be independent. As of the date of this report, there is no Independent Director who has been appointed for more than nine years from the date of his/her first appointment. The aforementioned is in line with the undertakings described in the Code.

The NC is satisfied that the directors have devoted sufficient time and attention to the Company. Although some Board members have multiple board representations, the Board has experienced minimal competing time commitments among its members as board meetings are planned and scheduled well in advance of the meeting dates. As such, the NC has decided not to fix a limit on the number of directorships a director can hold.

Mr Ho Han Leong Calvin, Mr Neo Teck Pheng, Mr Tan Kian Seng and Mr Desmond Wee Guan Oei are subject to retirement at the forthcoming annual general meeting pursuant to the Articles of Association of the Company. The NC has assessed and recommended for their re-election in the NC meeting held in February 2017. The Board has concurred with the NC to recommend the re-election of Mr Ho Han Leong Calvin, Mr Neo Teck Pheng, Mr Tan Kian Seng and Mr Desmond Wee Guan Oei who have offered themselves for re-election as director, by shareholders at the forthcoming annual general meeting.

Key information on the directors as at the date of this Annual Report is set out below:

Name of Directors	Appointment	Date of initial appointment/Date of last re-election as Director	Directorships in other listed companies and other principal commitments	
			Current	Past 3 Years
Mr Ho Han Leong Calvin	Non-Executive Chairman	1 October 2007/–	<ul style="list-style-type: none"> <li>Tai Tak Estates Sendirian Berhad (Director)</li> </ul>	–
Mr Ho Han Khoo (Alternate Director to Mr Ho Han Leong Calvin)	Alternate Director to the Non-Executive Chairman	19 May 2014/–	<ul style="list-style-type: none"> <li>Tai Tak Estates Sendirian Berhad (Director)</li> </ul>	–
Mr Tan Kian Seng	Non-Executive Director	6 February 2017	<ul style="list-style-type: none"> <li>Millennium &amp; Copthorne Hotels plc (Interim Group Chief Executive Officer) (listed on the London Stock Exchange)</li> <li>Millennium &amp; Copthorne International Limited (Group Chief of Staff and interim President of Asia)</li> <li>Grand Plaza Hotel Corporation (Director, President, Chairman and member of the Nomination Committee) (listed on the Philippine Stock Exchange)</li> <li>Millennium &amp; Copthorne Hotels New Zealand Limited (Non-Executive Director) (listed on the New Zealand Stock Exchange)</li> <li>CDL Investments New Zealand Limited (Non-Executive Director) (listed on the New Zealand Stock Exchange)</li> </ul>	Venture Corporation Limited (Group President/ Advisor to the CEO and Chairman)
Mr Neo Teck Pheng	Group Chief Executive Officer	1 October 2007/–	–	–

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Name of Directors	Appointment	Date of initial appointment/Date of last re-election as Director	Directorships in other listed companies and other principal commitments	
			Current	Past 3 Years
Ms Ting Ping Ee, Joan Maria	Independent Director	19 May 2014/ 27 April 2015	<ul style="list-style-type: none"> <li>Grandland Shipping Limited (Independent Director)</li> <li>Grand Union Holdings and Investments Incorporated (Independent Director)</li> </ul>	–
Mr Yee Chia Hsing	Lead Independent Director	19 May 2014/ 27 April 2015	<ul style="list-style-type: none"> <li>Elected Member of the Parliament of Singapore</li> <li>Ezion Holdings Limited (Independent Director)</li> <li>CIMB Bank Berhad, Singapore Branch (Head of Catalist)</li> <li>Ren Ci Hospital (Audit Committee member)</li> </ul>	–
Mr Desmond Wee Guan Oei	Independent Director	6 February 2017	<ul style="list-style-type: none"> <li>Rajah &amp; Tann Singapore LLP (Partner and Head, General Corporate Commercial Practice Group)</li> <li>Popular Holdings Limited (Independent Director)</li> <li>Spartans Rugby Singapore Limited (Non-Executive Director)</li> </ul>	–

### Principle 5: BOARD PERFORMANCE

A formal assessment process is in place to assess the effectiveness of the Board as a whole on an annual basis. The NC uses objective and appropriate criteria to assess the performance of the Board. Assessment parameters include evaluation of Board structure, conduct of meetings, corporate strategy, corporate planning, risk management, internal controls, measuring and monitoring performance, compensation, financial reporting and communication with shareholders.

As part of the process, the directors individually complete appraisal forms which are collated by the Company Secretary. The Company Secretary then presents the results to the Chairman of the NC who then presents a report to the NC and the Board. The feedback, comments and recommendations by directors will be reviewed and discussed constructively by the NC and the Board to identify areas for improvements and relevant follow up action to be taken by the Board and management.

The NC has determined that given the number of directors of the Company, size of the Board, the background, expertise and the participation in the board meetings of the Company, it would not be necessary for each director to perform a self-evaluation exercise.

### Principle 6: ACCESS TO INFORMATION

The Board is provided with reports as well as financial statements on a regular basis. Board papers are also distributed in advance of board meetings so that the directors would have sufficient time to understand the matters which are to be discussed. The directors are entitled to request from the management and should be provided with additional information as needed to make informed decisions.

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

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Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and its board committees and between the management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as and when required. The directors may communicate directly with the management and the Company Secretary on all matters whenever they deem necessary, to ensure adherence to the board procedures, relevant rules and regulations which are applicable to the Company. During the financial year under review, the Company Secretary has attended all board and board committee meetings. In addition, the directors also have direct access to the Company's professional advisors if they require more information.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

### Principles 7, 8 and 9: REMUNERATION MATTERS

The RC consists of:

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

\* Mr Desmond Wee Guan Oei was appointed as Independent Non-Executive Director of the Board and Chairman of the RC with effect from 6 February 2017 in place of Mr Huang Han-Lung Basil who resigned on 6 February 2017.

The RC is chaired by an independent director and the members are all Non-Executive Directors.

The duties and responsibilities of the RC are:

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

During the year ended 31 December 2016, the RC has met and discussed various remuneration matters and recorded its decisions by way of minutes. All the RC members were involved in the deliberations. No director was involved in the fixing of his/her own remuneration.

The Company has established the First Sponsor Employee Share Option Scheme on 19 May 2014 but no options had been granted under the said scheme to-date, which details can be found in the Directors' Statement.

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In reviewing the remuneration packages of the Executive Directors and key executives, the RC considers the level of remuneration based on the Company's remuneration policy which comprises the following distinct objectives:

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

The remuneration packages for Executive Directors and key executives comprise a fixed component (in the form of a base salary and, where applicable, fixed allowances together with other benefits-in-kind determined by the Company's human resource policies), and variable components (which include variable bonuses) which is determined by amongst other factors, the individual's performance, the Company's overall performance and industry practices, in each specific year. The RC will consider granting long-term incentives to the Executive Directors and key executives at the appropriate time, such as granting employee share options under the First Sponsor Employee Share Option Scheme and proposing performance share plans for shareholders' approval. The RC would review the implementation of contractual provisions to reclaim long term incentives from the Executive Directors and key executives in the event of exceptional circumstances of misstatement of financial results or of misconduct resulting in financial or other losses to the Company, only after the introduction of long-term incentives. Currently, variable bonus is given as a short-term incentive and employees' share options will be granted as a long-term incentive to the staff, to link rewards to corporate and individual performance so as to promote the long-term sustainability of the Company.

The remuneration of the Non-Executive Directors and Independent Directors is in the form of a fixed fee which is fixed after taking into consideration factors such as responsibilities of, effort and time spent by the directors. Such fee is subject to shareholders' approval at the annual general meeting.

### Board of Directors and Key Executives

The remuneration (in percentage terms) of the directors paid or payable for FY2016 is set out below:

Name of Directors	Fees <sup>(1)</sup> %	Salary <sup>(2)</sup> %	Bonus <sup>(2)</sup> %	Benefits-in-kind %	Total %
<b>\$4,250,000 to S\$4,500,000</b>					
Mr Neo Teck Pheng <sup>(3)</sup>	–	18	81	*	100
<b>Below \$250,000 each</b>					
Mr Ho Han Leong Calvin <sup>(3)</sup>	–	–	–	–	–
Mr Lee Tse Sang Aloysius <sup>(3), (4)</sup>	–	–	–	–	–
Ms Ting Ping Ee, Joan Maria	100	–	–	–	100
Mr Yee Chia Hsing	100	–	–	–	100
Mr Hwang Han-Lung Basil <sup>(5)</sup>	100	–	–	–	100

\* denotes less than 0.5%.

Notes:

- (1) The fees for FY2016 had been approved by shareholders at the Annual General Meeting held on 26 April 2016.
- (2) The salary is inclusive of allowances. The salary and bonus are inclusive of employer's contributions to Central Provident Fund.
- (3) Each director renounced his director's fees for FY2016 to the Company.
- (4) Mr Lee Tse Sang Aloysius resigned as Non-Executive Director of the Company on 6 February 2017. He was replaced by Mr Tan Kian Seng who was appointed on 6 February 2017.
- (5) Mr Hwang Han-Lung Basil resigned as Independent Director of the Company on 6 February 2017. He was replaced by Mr Desmond Wee Guan Oei on 6 February 2017.



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Although Guideline 9.2 of the Code provides that the Company should disclose the remuneration of each individual director and the Group Executive Officer to the nearest thousand dollars, the Company will not disclose such figures as the Company believes that such disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in.

The Company also does not believe it to be in its best interest to disclose the identity and remuneration of its top 5 key executives (who are not directors) in bands of S\$250,000 as well as the total remuneration paid to them, having regard to the highly competitive human resource environment and so as not to hamper the Company's efforts to retain and nurture its talent pool.

For the financial year ended 31 December 2016, there was no termination, retirement or post-employment benefits granted to the directors and key executives. There was also no employee related to a director or the Group Chief Executive Officer whose remuneration exceeds S\$50,000 in the Group's employment for the financial year ended 31 December 2016.

### **Principle 10: ACCOUNTABILITY AND AUDIT**

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the performance, position and prospects of the Company and Group. The Board is mindful of its obligation to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while the management is accountable to the Board.

The Board meets to approve the Group's quarterly and full year financial results. All board papers are given to the Board members prior to any meeting to facilitate effective discussion and decision making.

### **Principle 12: AUDIT COMMITTEE**

The members of the AC are:

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

Two of the members of the AC are Independent Directors. There is a good mix of expertise among the members who can handle financial as well as commercial issues relating to the Group's business. None of the members of the AC were previously partners or directors of existing audit firms within the previous 12 months.

There were four AC meetings held during the year. Management, including the Group Chief Executive Officer and Group Chief Financial Officer, was present at the meetings. In addition, the AC had met with the external auditors without the presence of the management during the year.

Below are the key duties and responsibilities of the AC:

- reviewing the audit plan of the Company's external auditors, their evaluation of the system of internal accounting controls, their letter to the management and the management's response, and results of the Company's audit conducted by the external auditors;
- reviewing the reports of the Company's external auditors including key audit matters, as well as the independence and objectivity of the external auditors;
- reviewing the co-operation given by the Company's officers to the external auditors;
- reviewing any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or likely to have a material adverse impact on the Group's operating results or financial position, and the management's response and discuss with the external auditors as appropriate;

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- making recommendations to the Board on the proposal to the shareholders, on the appointment, reappointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing the appointment, reappointment and removal of internal auditors and approval of the internal audit plans, remuneration and terms of engagement of the internal auditors;
- reviewing the quarterly, half yearly and annual financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards, and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- reviewing significant financial reporting issues so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing the material internal control procedures, comprising financial, operational, compliance and information technology controls, ensuring co-ordination between the external auditors and the management, reviewing the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the internal and external auditors may wish to discuss (in the absence of the management, where necessary);
- monitoring the implementation of outstanding internal control weaknesses highlighted by the internal and external auditors;
- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual (including any entrusted loans that may be provided to interested persons prior to such loans being entered into, to ensure that (i) the terms and (ii) the grant of the entrusted loans (taking into account various factors that may include, but are not limited to, the rationale for the grant, the creditworthiness of the borrower and the interest rate payable to the Group) are not prejudicial to the Group and the shareholders);
- reviewing potential conflicts of interest, if any;
- reviewing and considering transactions in which there may be potential conflicts of interests between the Company and interested persons and recommending whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or voting on resolutions of the Board or the shareholders in relation to such transactions as well as ensuring that proper measures to mitigate such conflicts of interest have been put in place;
- reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the Controlling Shareholders;
- monitoring the investments in the customers, suppliers and competitors made by our directors, Controlling Shareholders and their respective associates who are involved in the management of the Company or have shareholding interests in similar or related business of the Company and making assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interests have been put in place;
- reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the Controlling Shareholders as described in the section titled "Interested Person Transactions and Conflicts of Interest – Conflicts of Interest – Conflict of Interests in relation to First Sponsor Capital Limited and First Sponsor Management Limited" in the prospectus registered by the Monetary Authority of Singapore on 10 July 2014 ("Prospectus") in relation to the Company's initial public offering (the "IPO") and listing of its shares on the Mainboard of the SGX-ST on 22 July 2014 and consider, where appropriate, additional measures for the management of such conflicts;
- reviewing our key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if there are material findings, to be immediately announced via SGXNET;

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- reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the directors;
- reviewing the suitability of the Group Chief Financial Officer;
- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time on a quarterly basis; and
- apart from the abovementioned duties, the AC shall commission and review the findings of internal investigations in the event of suspected fraud, irregularity, failure of internal controls or infringement of any laws and regulations including in the People's Republic of China, the Netherlands and Singapore, which has or is likely to have a material adverse impact on the Group's operating results and/or financial position. In addition, all future transactions with related parties shall comply with the requirements of the SGX-ST Listing Manual.

To facilitate a more effective check on the management, the AC meets with the external auditors, without the presence of the management, at least once a year.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of its external auditors. After reviewing the non-audit services provided by the external auditors, the AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board, the nomination of the external auditors for re-appointment.

The amount of fees paid/payable to the external auditors for audit and non-audit services for the financial year ended 31 December 2016 are set out on Note 20 of the Financial Statements in this Annual Report.

### WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and the AC has the authority to conduct independent investigations into any complaints. To-date, no reports of fraudulent or inappropriate activities or malpractices have been received.

### Principle 11 and 13: RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT

The Board acknowledges that risks are inherent in business and views the taking of risks as a prelude to generating returns. However, the Board's policy is that risks should be managed in order to reduce the variability of returns. The Group has in place a risk management framework which outlined all key risks of the Group as well as the recommended action plans, in the strategic, operations, financial and treasury, information technology and compliance areas.

The primary responsibility for identifying business risks lies with the management. The Board reviews and approves the processes for managing risk recommended by the management.

The management reviews the system of internal controls regularly in order to ensure that sufficient checks and balances exist within the system to safeguard the Company's assets, ensure maintenance of proper accounting records, and compliance with relevant legislation and best practices.

The Group has appointed PricewaterhouseCoopers LLP ("PwC") as its internal auditor to review the Group's existing systems of internal controls and it reports to the Chairman of the AC directly. All audit findings and recommendations made by PwC are reported to and discussed by the AC. In addition, the AC meets with the internal auditors without the presence of the management, at least once a year.

## CORPORATE GOVERNANCE

The Board has reviewed the adequacy of the Group's internal controls framework in relation to financial, operational, compliance and information technology controls as well as risk management systems of the Group, with the assistance of the management, the internal auditors and the external auditors. The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. Based on its assessment of the work performed by the internal and external auditors as well as confirmation from the Group Chief Executive Officer and Group Chief Financial Officer, the Board, with the concurrence of AC, is of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risks which the Group considers to be relevant and material to its operations, and the risk management systems are effective and adequate as at 31 December 2016.

The Board has also received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the financial records as at 31 December 2016 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances.

### **Principle 14, 15 and 16: SHAREHOLDERS RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND GREATER SHAREHOLDER PARTICIPATION**

The Company treats all shareholders fairly and equitably as well as recognises, protects and facilitates the exercise of shareholders' rights. It is the Company's policy to be transparent and open with its shareholders and this is achieved through timely announcements and meaningful disclosures, which are made on a non-selective basis.

Shareholders can contact the Company or access information on the Company at its website at [www.1st-sponsor.com.sg](http://www.1st-sponsor.com.sg) which has a dedicated "Investor Relations" link that provides, *inter alia*, information on the annual reports and the latest financial results as released by the Company on SGXNET and other information which may be relevant to shareholders.

In addition to the quarterly financial results released on SGXNET, the Company also concurrently provides a presentation pack highlighting key developments of the Group to its shareholders on SGXNET. These are also available on the Company's website. The Group Chief Executive Officer and Group Chief Financial Officer hold briefings for analysts and key shareholders immediately after each release of its quarterly results.

The Board supports and encourages shareholders' participation at the Company's general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them. Sufficient explanations of all resolutions are included in the notice of general meetings.

The Company has put all resolutions tabled to vote by poll. The results of the poll for each resolution were announced on SGXNET in a timely manner.

The Company's Articles of Association allow a shareholder to appoint not more than two proxies to attend and vote instead of the shareholder at the general meetings. A proxy need not be a shareholder of the Company. The Company does not permit voting in absentia by mail, facsimile or e-mail due to the difficulty in verifying and ensuring authenticity of the vote.

All shareholders are and will be given an opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue will be tabled at general meetings. "Bundling" of resolutions will be kept to a minimum and executed only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

## CORPORATE GOVERNANCE

The Company Secretary prepares minutes of the general meetings that include all comments or queries raised by shareholders relating to the agenda of the meeting and responses from the Board and key management. The minutes of the general meetings will be made available to the shareholders upon request.

The Company does not practise selective disclosure as all material and price-sensitive information is released through SGXNET.

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

During the financial year ended 31 December 2016, the Board has recommended a final tax exempt (one-tier) dividend of 1.00 Singapore cent per ordinary share for approval by the shareholders at the forthcoming annual general meeting of the Company.

### **INTERESTED PERSON TRANSACTIONS**

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval of such interested person transactions.

During the financial year ended 31 December 2016, there were no interested person transactions with the aggregate value of S\$100,000 and above. The Company does not have a shareholders' general mandate for interested person transactions.

### **MATERIAL CONTRACTS**

Other than as disclosed in the financial statements, there are no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting as at the end of the financial year ended 31 December 2016.

### **DEALING IN THE COMPANY'S SECURITIES**

In line with Rule 1207 (19) of the SGX-ST Listing Manual on dealing in securities, the Group has adopted an internal code which provides guidance to its directors and key management in relation to dealing in securities.

The Company has informed its directors and key management not to deal in the Company's shares whilst they are in possession of unpublished material price-sensitive information and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. They are also advised not to deal in the Company's securities on short-term considerations. There has not been any incidence of non-compliance.