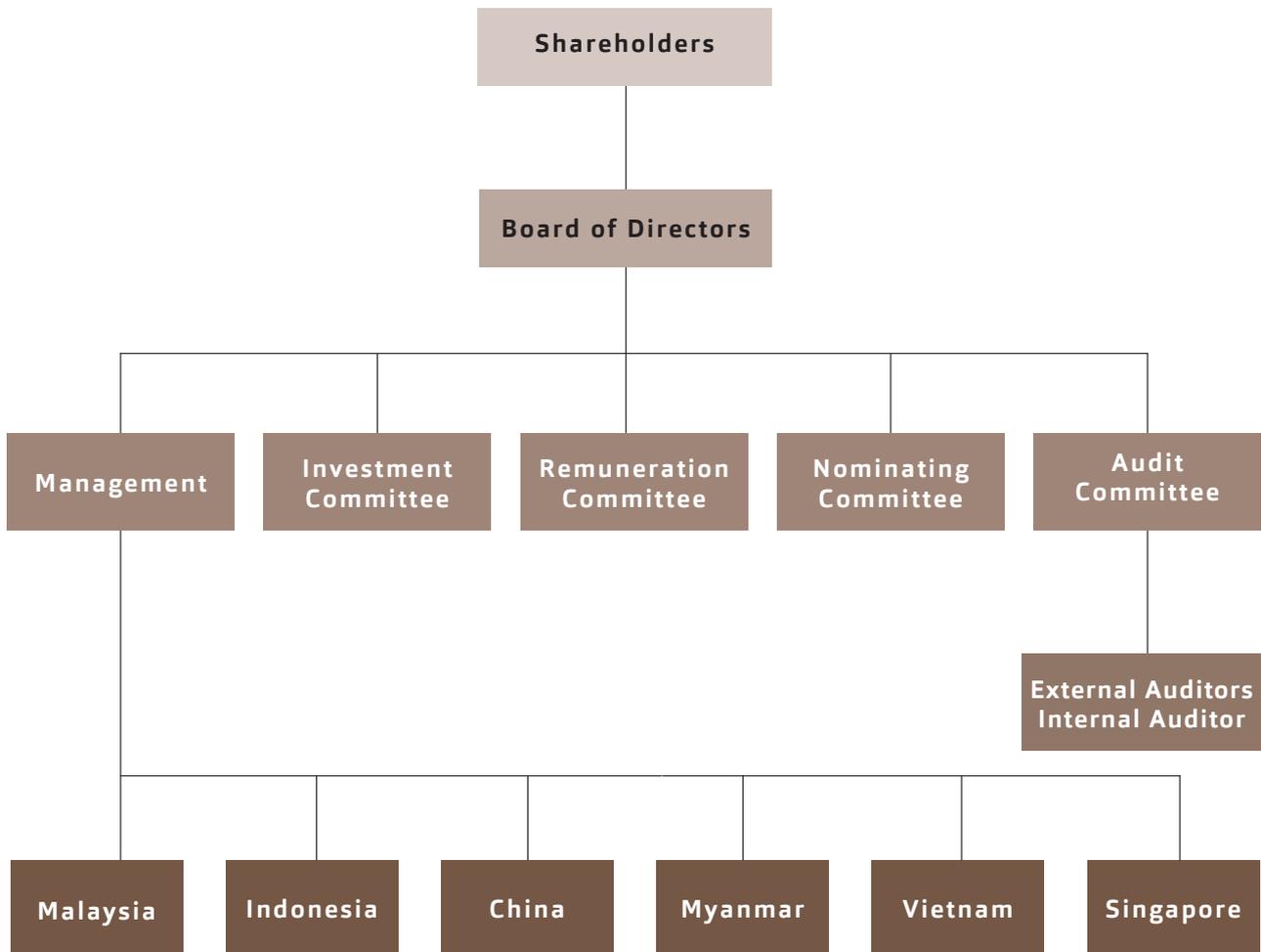


# CORPORATE GOVERNANCE REPORT

## CORPORATE REPORTING STRUCTURE



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Intraco Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to ensuring and maintaining a high standard of corporate governance. It understands that it not only has to be legally compliant and socially responsible but also to deliver performance and manage shareholders’ and other stakeholder’s expectations.

The focus has been on improving internal board communications and processes along with the strong support of the respective Chairs of Committees led by Dr Tan Boon Wan (Audit Committee Chairman) and Mr Shabbir H Hassanbhai (Chairman of both Nominating and Remuneration Committees). The Board is committed to adopting the best practices in ensuring the spirit of Corporate Governance while carrying out their duties and responsibilities under the framework and rules of Board’s operating processes and guidelines.

In keeping with its commitment to a high standard of corporate governance, the Board of Directors of the Company (the “**Board**”) and Management endeavour to align the Company’s governance framework with the recommendations of the Code of Corporate Governance 2012 (the “**Code**”).

This report describes the corporate governance framework and practices of the Company with specific reference made to each principle as set out in the Code. For the financial year ended 31 December 2018 (“**FY2018**”), the Company has complied in all material aspects with the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this report.

With the issuance of the revised Code of Corporate Governance (“**2018 Code**”) by the Monetary Authority of Singapore on 6 August 2018 which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and implement measures to comply with the 2018 Code, where necessary to adhere to its spirit and intent.

## THE BOARD’S CONDUCT OF AFFAIRS

**PRINCIPLE 1:** *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

### Guideline 1.1 – Role of the Board

The Board assumes responsibility for stewardship of the Company and the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It has oversight responsibility over the management of the business and affairs of the Group. The Board also sets the tone for the Group where ethics and values are concerned.

Apart from its statutory responsibilities, the Board also:

1. provides entrepreneurial leadership, and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensures that the necessary financial, human and operational resources are in place for the Group to meet its objectives;
2. sets objective performance criteria to evaluate the Board, individual Directors and Board Committees’ performance and succession planning process;

# CORPORATE GOVERNANCE REPORT

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3. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Group's assets;
4. reviews and approves key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;
5. approves all Board appointments/re-appointments and appointment of Chief Executive Officer ("CEO") and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("Key Management Personnel" or "KMP"), evaluates their performance and reviews their remuneration packages;
6. establishes goals and priorities for Management and reviews Management's performance by monitoring the achievement of these goals;
7. approves the nominations for the Board by the Nominating Committee;
8. reviews recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors;
9. reviews recommendations made by the Remuneration Committee and approves the remuneration packages for the Board and KMP;
10. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;
11. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
12. considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

## **Guideline 1.2 – Disclosure on Directors discharge of duties and responsibilities**

All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

# CORPORATE GOVERNANCE REPORT

## Guideline 1.3 – Delegation of authority by the Board to Board Committees

To assist in the execution of its responsibilities, the Board had established 4 Board Committees, namely Audit Committee (“AC”), Nominating Committee (“NC”), Remuneration Committee (“RC”) and Investment Committee (“IC”), and delegated specific areas of responsibilities to these Committees. Each of these Board Committees functions within clearly written terms of reference, which have been approved by the Board.

The composition of the Board Committees for FY2018 is tabulated below:

Directors	AC	NC	RC	IC
Colin Low	Member	–	Member	Chairman
Dr Tan Boon Wan	Chairman	Member	–	–
Shabbir H Hassanbhai	Member	Chairman	Chairman	–
Charlie Ng How Kiat	–	Member	Member	Member
Dr Steve Lai Mun Fook	–	–	–	Member

The Board Committees have the delegated power to deliberate any issue that arises in their specific areas of responsibilities within their respective terms of reference and report to the Board with their decisions and/or recommendations. The ultimate responsibility and authority for the decisions and actions on all matters rests with the Board.

## Guideline 1.4 – Meetings of Board and Board Committees

The Board and Board Committees meet regularly and whenever necessary to discharge their duties. When required, the Board also sets aside time at the scheduled meetings to meet without the presence of Management. An annual schedule of Board and Board Committee meeting dates is set by the Directors in advance.

Ad-hoc meetings are convened when required to address any significant issues that may arise in-between scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees is achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company’s Constitution (“**Constitution**”) provides that the Directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

All draft agendas for meetings are reviewed by the Chairman of the Board and the Chairman of the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting with ample time for their review and perusal. Members of Management are invited to attend the meetings to present information and/or render clarification when required.

# CORPORATE GOVERNANCE REPORT

Presentations are also made by senior executives on performance of the Group's various businesses and business strategies at these meetings. This allows the Board to have a good understanding of the Group's operations and be actively engaged in robust discussions with the Group's senior executives.

Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. As and when required, Board members meet to exchange views outside the formal environment of Board meetings.

The number of meetings held by the Board and Board Committees and attendance records taken during FY2018 are as follows:

	Board		AC		NC	RC		IC		AGM
	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled	Scheduled	Ad-Hoc	Scheduled	Ad-Hoc	Scheduled
No. of Meetings Held in FY2018	5	2	5	1	1	2	1	4	1	1
<b>Name of Directors</b>	<b>No. of Meetings attended in FY2018</b>									
Mr Colin Low	5	2	5	1	n.a	1	1	4	1	1
Dr Tan Boon Wan	5	2	5	1	1	n.a	n.a	n.a	n.a	1
Mr Shabbir H Hassanbhai	5	2	5	1	1	1	1	n.a	n.a	1
Mr Charlie Ng How Kiat	5	2	n.a	n.a	1	1	1	4	1	1
Dr Steve Lai Mun Fook	4	2	n.a	n.a	n.a	n.a	n.a	4	1	1
Mr Tony Chew Leong Chee (Alternate Director to Charlie Ng How Kiat)	4	1	n.a	n.a	n.a	n.a	n.a	n.a	n.a	1
Mr Roland Ng San Tiong (Alternate Director to Dr Steve Lai Mun Fook)	3	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a	1

\* Ad-hoc meetings were held to discuss other important and strategic matters.

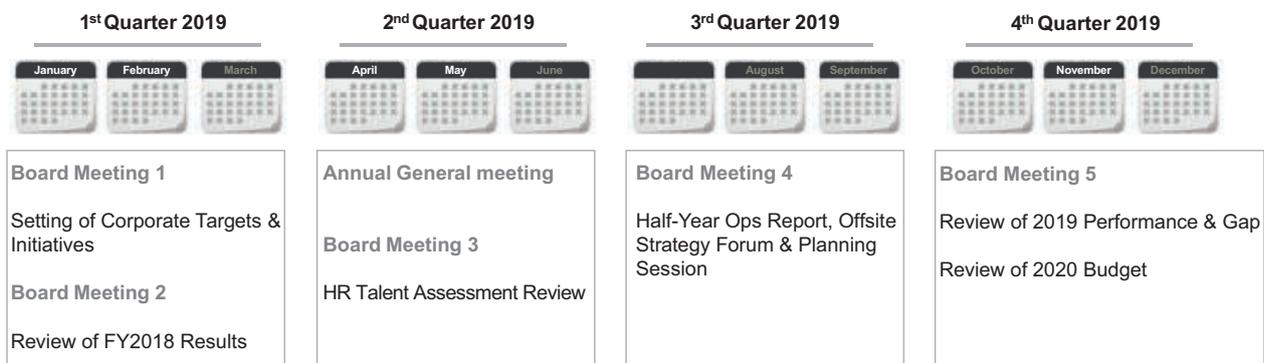


# CORPORATE GOVERNANCE REPORT

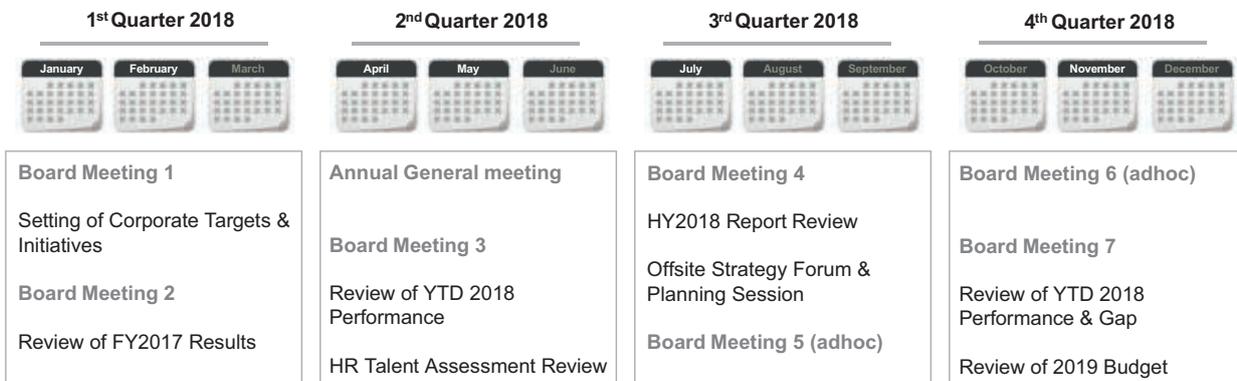
## BUSINESS PROCESSES UNDERTAKEN BY THE BOARD



### Management Operating System - 2019 Business Process & Operating Mechanisms



### Management Operating System - 2018 Business Process & Operating Mechanisms



The above sets out the timeline of Board processes during a calendar year. In order to show the complete cycle for FY2018 Report Review, the processes for the new calendar year, 2019 are shown.

The Board will meet in January of each year to review budget and set financial targets for the new financial year. Key performance indicators for KMP including the CEO are also deliberated and agreed at the beginning of the year.

In February, the Board will review the Group’s full year performance and Annual Report matters including the Company’s Corporate Governance Report. The adequacy and effectiveness of internal controls in the Group will be ascertained simultaneously when reviewing risks under “Risk Management and Internal Controls” under the corporate governance report below.

# CORPORATE GOVERNANCE REPORT

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After the Company's Annual General Meeting ("AGM") in April, the Board will undertake a human resource review where discussion of KMP's succession planning will take place. This will allow the Nominating Committee to set its priorities and look into the gaps concerning leadership within the Group, if any, both at KMP (including the CEO) and Board levels.

In July, apart from the review of the Group's half year performance, a separate session for the Board and Management will also be organised for the Board to review its strategic planning, covering both short and long-term plans. It is also an opportune time to review the progress made by the Group in comparison with its budget decided at the beginning of the year and elaborate the plans and strategies for the future. Heads of business units will be invited to participate in the session. The Board together with Management will discuss the mitigation or action plans in order to achieve the agreed targets.

In November, another performance gap review will be carried out where the Board and Management will fine tune the Group's strategy going forward, if need be.

During the year, a full day offsite session was organised for the Board and Management for the above purposes. Professional consultants were engaged to give insights on strategy development by Management. As part of continuing training for the Directors and Management, external professionals were also invited to give an update of the corporate governance changes at the same time.

## **Guideline 1.5 – Material transactions that require Board approval**

The Company has established internal policies and procedures on the types of transactions/activities and financial authorisation limits that require Board approval. These include approval of annual budgets, financial statements, business strategies, and material transactions, such as acquisitions, divestments, funding and investment proposals, all commitments to term loans and lines of credit from banks and financial institutions. Below the Board level, there is appropriate delegation of authority and approval sub-limits at management level, to facilitate operational efficiency.

## **Guideline 1.6 – Directors to receive appropriate and relevant training**

All newly-appointed Directors attend an orientation programme to familiarise themselves with the Group's business, operations and governance practices and they are also given materials containing such information. The Group's policies and procedures are also extended to the Directors to enable them to gain a clear understanding on the levels of authority in relation to transactions. In addition, Directors are provided with the contact numbers and email addresses of key executives, the Company Secretary and Auditors to facilitate efficient and direct access.

To keep pace with a fast-changing regulatory environment, the Board is kept informed of any relevant changes to legislation and regulatory requirements. Directors and Management also attend courses to keep abreast of changes in the law and governance matters that may affect the Group.

The Board values ongoing professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on, and contribute to the Board. The Company has a budget for Directors to receive further relevant training of their choice in connection with their duties as Directors.

As part of the Board continuing professional development, the Directors had received more than 50 training hours in aggregate through attending various training seminars, courses, conferences and workshops during the year. The Company is a corporate member of the Singapore Institute of Directors ("SID"). The Directors had attended professional development programme organised by SID with collaboration with ACRA and SGX such as The AC's Role in Crisis Management, Harnessing the Full Potential of Internal Audit, Code of Corporate Governance Briefing, INSEAD Launch of Singapore Directorships Report and CG2018.

# CORPORATE GOVERNANCE REPORT

In addition, articles, press releases, reports issued by SGX and ACRA which are relevant to the Group's business and compliance obligation are circulated to the Board. The external auditors, KPMG LLP, routinely update the AC on new and revised financial reporting standards applicable to the Company.

The Directors are engaging and committed to their roles. During the year, Mr Colin Low in his capacity as Chairman of both the Company and the Investment Committee, had traveled with the Management team to review growth and merger & acquisitions ("M&A") opportunities internationally.

Directors may request for further explanations, briefings and formal discussions on any aspects of the Group's operations or business and any other issues.

## **Guideline 1.7 – Formal letters to be given to directors, setting out duties and obligations**

A formal letter of appointment is provided to any newly appointed Director, setting out his duties and responsibilities as a member of the Board. No new Director was appointed during the year under review.

## 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.*

## **Guidelines 2.1, 2.2 and 2.3 – Board Composition and Independence of Directors**

The Board comprises five (5) Non-Executive Directors, three (3) of whom (including the Chairman) are independent and two (2) Alternate Directors. More than half of the Board is made up of Independent Directors which is in compliance with the Code. The composition of the Board is as follows:

<b>Mr Colin Low</b>	(Chairman and Independent Director)
<b>Dr Tan Boon Wan</b>	(Independent Director)
<b>Mr Shabbir H Hassanbhai</b>	(Independent Director)
<b>Mr Charlie Ng How Kiat</b>	(Non-Executive Director)
<b>Dr Steve Lai Mun Fook</b>	(Non-Executive Director)
<b>Mr Tony Chew Leong Chee</b>	(Alternate Director to Mr Charlie Ng How Kiat)
<b>Mr Roland Ng San Tiong</b>	(Alternate Director to Dr Steve Lai Mun Fook)

The NC reviews annually the independence of each Director taking into account the existence of relationships or circumstances, including those provided in the Code. Each Non-Executive Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

Taking into consideration the foregoing, the NC has determined Mr Colin Low, Dr Tan Boon Wan and Mr Shabbir H Hassanbhai, (who are the majority of the Board) to be independent. Each of these Directors has also confirmed their independence. Dr Steve Lai Mun Fook and Mr Charlie Ng How Kiat are not independent by virtue of them representing the interests of their 10% shareholders (as defined under the Code) of the Company.

# CORPORATE GOVERNANCE REPORT

The Board concurred with the views of the NC. Each of the Directors abstained from the deliberation of his own independence.

## Guideline 2.4 – Review of independence of Directors who have served the Board beyond nine years

The Code stipulates that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. The NC noted that none of the Independent Directors, save for, Dr Tan, has served on the Board beyond nine years from the date of his first appointment.

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

Name of Director	Position	Date of Initial Appointment	Date of last re-appointment/re-election
Mr Colin Low	(Chairman and Independent Director)	1 March 2014	22 April 2016
Dr Tan Boon Wan	(Independent Director)	5 October 2004	20 April 2017
Mr Shabbir H Hassanbhai	(Independent Director)	16 August 2013	12 April 2018
Mr Charlie Ng How Kiat	(Non-Executive Director)	22 November 2012	12 April 2018
Dr Steve Lai Mun Fook	(Non-Executive Director)	28 April 2015	20 April 2017

The NC is of the view that in assessing the independence of any Independent Director, one should consider the substance of their professionalism, integrity and objectivity and not merely based on the number of years which they have served on the Board. The rationale for the continuation to serve as an Independent Director is that he/she over time has developed significant insights of the Group's business and operations and can significantly continue to provide noteworthy and valuable contributions to the Board.

The NC noted that Dr Tan's long and commendable role on the Board as an Independent Director and as Chairman of the AC and Member of the NC in discharging his duties professionally, ethically and with integrity.

The NC also established that Dr Tan is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the following factors were evaluated for this purpose:-

- a. he is not an executive director of the Company or any related corporation of the Company;
- b. he is not a 10% shareholder of the Company;
- c. he is not a family member of any executive director, officer or 10% shareholder of the Company;
- d. he is not acting as a nominee or representative of any executive director or 10% shareholder of the Company;
- e. he provides and enhances the necessary independence and objectivity of the Board;
- f. he helps to ensure effective checks and balances on the Board;
- g. he helps to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;
- h. he constructively challenges and contributes to the development of business strategy of the Company; and
- i. he helps to ensure that adequate systems and controls are in place to safeguard the interests of the Company.

# CORPORATE GOVERNANCE REPORT

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Having considered the above, the NC had determined that Dr Tan has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. His continued presence as an Independent Board member will ensure best practices to be followed and provide effective oversight and compliance to good corporate governance.

Accordingly, the NC had recommended to the Board that he continues to be considered independent, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. Dr Tan, being a NC member, abstained from any discussion and voting on the matter. The Board had concurred with the NC's assessment.

## **Guideline 2.5 – Board to determine its appropriate size**

The NC reviews the size and composition of the Board to ensure that the size of the Board is conducive for effective discussions and decision-making and that the Board has the appropriate mix of expertise and experience as well as an appropriate balance of Independent Directors. The NC, with the concurrence of the Board, considers its current board size appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

## **Guideline 2.6 – Board Diversity**

The Board has through the recommendation of the NC, approved the adoption of a Board Diversity Policy during FY2018. The Board Diversity Policy sets out the framework for promoting diversity on the Board of the Company. In the process of searching for qualified persons to serve on the Board, the NC shall strive for the inclusion of diverse groups and viewpoints. The final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard for the benefits of diversity on the Board.

The Board believes that board diversity is more than just about gender diversity and embraces other factors such as a need for individuals from all backgrounds, skill-sets, life experiences, abilities and beliefs for a better Board performance.

The Board is made up of a team of high calibre leaders whose diverse expertise and experience in accounting & finance, strategic planning, human resource management, business and management, legal and regulatory, industry knowledge combined provides core competencies necessary to lead and govern the Group effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views.

## **Guidelines 2.7 and 2.8 – Role of Non-Executive Directors**

The Non-Executive Directors exercise objective judgment on the Group's affairs independently from Management. The Non-Executive Directors also contribute to the Board process by (monitoring and) reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors also meet regularly without presence of Management to facilitate more open discussions.

# CORPORATE GOVERNANCE REPORT

## 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.*

### **Guideline 3.1 – Chairman and Chief Executive Officer (“CEO”) should be separate persons**

The positions of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr Colin Low, an Independent Director, was appointed as the Chairman of the Board on 28 April 2015 and Mr Nicholas Yoong was appointed as the CEO on 1 July 2017. The Chairman and the CEO are not related.

### **Guideline 3.2 – Role of Chairman**

The Chairman presides over the business of the Board and monitors the translation of the Board's decisions and directions into executive action. In addition, the Chairman provides close oversight, guidance, advice and leadership to the CEO and senior management. The Chairman also plays a crucial role in fostering constructive dialogue between shareholders, the Board and Management at the Company's Annual General Meeting. The Chairman leads the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Board, Management and Company Secretary.

The Chairman leads the Board and ensures the effectiveness on all aspects of its role. His responsibilities include, *inter alia*:

1. constructively determining and approving, with the full Board, the Company's strategy;
2. ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;
3. setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;
4. ensuring that Directors receive complete, adequate and timely information;
5. fostering effective communication and constructive relations amongst the Directors, within Board Committees, between shareholders, between the Directors and Management;
6. encouraging the constructive exchange of views within the Board and between Board members and Management;
7. facilitating the effective contribution of Non-Executive Directors and Independent Directors;
8. promoting a culture of openness and debate at the Board level and promoting high standards of corporate governance; and
9. establishing a relationship of trust with the CEO.

# CORPORATE GOVERNANCE REPORT

Given the independence of the Chairman, separation of roles between the Chairman and CEO, and a strong balance of independent directors on the Board (3 of the 5 Directors are independent), the Board is of the view that there are adequate safeguards and checks in place to ensure the objective assessment of the Group's ongoing affairs. The current structure also facilitates a decision-making process by the Board that is based on the collective decision of all Directors, without any concentration of power or influence residing in any one individual. In view of this, the appointment of a lead independent director is not considered by the Board to be necessary.

## BOARD MEMBERSHIP

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

### Guideline 4.1 – Composition of Nominating Committee (“NC”)

The NC comprises the following members, two of whom (including the Chairman) are Independent Directors:

Mr Shabbir H Hassanbhai (Chairman)

Dr Tan Boon Wan

Mr Charlie Ng How Kiat

For the year under review, the NC held one meeting and the NC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

### Guideline 4.2 – Roles of the NC

The NC performs the following functions as provided in its terms of reference :

1. identifying candidates and reviewing all nominations for the appointment or re-appointment of Directors (including Alternate Directors), the CEO of the Group, and determining the selection criteria;
2. reviewing the independence of each Independent Director annually;
3. deciding whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;
4. reviewing the Board structure, size, balance and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary;
5. reviewing Board succession plans for Directors, in particular, the Chairman, the CEO and KMP;
6. determining how the Board and Board Committees' performance may be evaluated and proposing objective performance criteria for the Board's approval;
7. reviewing the training and professional development programmes for the Board;
8. the re-election of Director(s) by shareholders under the “retirement by rotation” provisions in the Company's Constitution having due regards to the composition and progressive renewal of the Board, and the competency, performance and contribution of the Director including his attendance, preparedness and participation at Board and its Board Committees meetings. A Director's time and effort accorded to the Company's business and affairs will also be considered. Where appropriate, the NC will also consider the Director's independence.

# CORPORATE GOVERNANCE REPORT

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Summary of activities carried out by the NC during the year includes:

(i) **Reviewing and recommending nomination for re-appointment of Directors**

The Company's Constitution requires all Directors to submit themselves for re-nomination and re-election at least once every 3 years; and at least one-third of the Directors for the time being to retire from office by rotation. New Directors appointed during the year are subject to retirement and re-election at the following AGM of the Company.

Mr Colin Low and Dr Tan Boon Wan are subject to retiring pursuant to Article 115 of the Company's Constitution at the forthcoming AGM of the Company. The retiring Directors, being eligible, had consented to continue in office and would seek re-election at the forthcoming AGM.

Each of these Directors, being interested in the matter, had abstained from all discussions and recommendations in respect of their own re-election. Each of Mr Colin Low and Dr Tan Boon Wan is considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

Having regard to the above and taking into consideration the retiring Directors' attendance, participation and contribution to the business and operations of the Company as well as Board processes, the NC had recommended their nominations for re-election at the forthcoming AGM of the Company. The Board concurred with the NC's recommendation.

Information regarding the Directors nominated for re-election/re-appointment, including the information required under Appendix 7.4.1 of the Listing Rules is given in the "Board of Directors" section, pages 15 to 17 of this Annual Report.

(ii) **Guideline 4.3 – NC's Determination of Independent Director's Independence**

The NC is charged with determining the independence of the directors as set out under Guidelines 2.3 and 2.4 above as well as the relationships or circumstances which would deem a director not to be independent.

(iii) **Guideline 4.4 – Board representations**

Where a Director has multiple Board representations, the NC will determine if the Director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a Director. The recommendation of the NC for the nomination of a Director for re-election is then made to the Board. The Board will review this recommendation.

The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each Director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The Board affirms and supports this view.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not impinged on their abilities to discharge their duties. The Board concurred with the NC.

# CORPORATE GOVERNANCE REPORT

The table below shows the disclosure of directorships and chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director (including the Alternate Directors):

Name of Director	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Colin Low	OSIM International Ltd (de-listed from SGX-ST's main board on 29 August 2016)	Principal Commitment – Singapore Investment Development Corporation
Dr Tan Boon Wan	Listed – Hotung Investment Holdings Ltd.	–
Mr Shabbir H Hassanbhai	–	Listed – Gateway Distriparks Limited India Snowman Logistics Limited, India and Dynamic Colours Limited, Singapore Principal Commitments – Indo Straits Trading Co Pte Ltd Hassanbhai Realty Pte Ltd Zee Chin & CO Pte Ltd Hakimuddin & Sons Pte Ltd
Mr Charlie Ng How Kiat	–	Principal Commitment – Macondray Holdings Pte Ltd
Dr Steve Lai Mun Fook	–	Listed – Yongmao Holdings Limited
Mr Tony Chew Leong Chee	Listed – Keppel Corporation Limited (retired on 1 May 2015)	Principal Commitment – Asia Resource Corporation Pte. Ltd.
Mr Roland Ng San Tiong	Listed – CSC Holdings Ltd (resigned on 4 March 2016)	Listed – Yongmao Holdings Limited Principal Commitments – Tat Hong Holdings Ltd (de-listed from SGX-ST's mainboard on 20 July 2018) Chwee Cheng & Sons Pte Ltd Tat Hong Investments Pte Ltd Tat Hong Equipment (China) Pte. Ltd. TH Investments Pte Ltd TH60 Investments Pte Ltd Tat Hong Belt Road Pte. Ltd. THAB PTP Sdn Bhd Edmund Tie & Company (SEA) Ptd. Ltd. THSC Investments Pte Ltd Tat Yang (Shanghai) Co., Ltd Singapore Chinese Chamber of Commerce & Industry

- (iv) Assessing the effectiveness of the Board, Board Committees and individual directors as described under Guidelines 5.1 to 5.3 below.
- (v) Reviewed the Board Diversity Policy as set out in Guideline 2.6.
- (vi) Reviewed the succession planning of KMP within the Group.

# CORPORATE GOVERNANCE REPORT

## Guideline 4.5 – Alternate Directors

The Companies Act defines a “director” to include alternate director and an alternate director is therefore a full director under the law. An alternate director owes the same fiduciary duties as a full director and is subject to the same liabilities to the Company. The Company’s Constitution provides for the terms of appointment of alternate directors.

There are currently two alternate directors appointed to the Board namely Mr Tony Chew (alternate to Mr Charlie Ng) and Mr Roland Ng (alternate to Dr Steve Lai). Both the alternate directors are accomplished entrepreneurs and they play an active role in providing valuable guidance to the Board in the Board meetings. The alternate directors attend most of the Board meetings, notwithstanding the attendance or presence of their respective principal director.

## Guideline 4.6 – Procedure for Selection and Appointment of New Directors

The NC recognises succession planning as an important part of the governance process and reviews succession plans annually to ensure that Board membership is refreshed progressively and in an orderly manner. The NC had put in place a formal process for short listing, evaluating and nominating candidates for appointment as new Directors. For FY2018, there was no appointment of new Director.

The NC, in consultation with Management and the Board, determines the qualifications and expertise required or expected of a new Board member taking into account the current Board size, structure, composition, diversity of skill competencies and gender, and progressive renewal of the Board. Prospective candidates are sourced through recommendations from Board members, business associates, advisors, professional bodies and other industry players. These candidates are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the Board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other Board appointments and principal commitments, and if he is independent.

The evaluation process will also involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches will also be made. Recommendations of the NC are then put to the Board for consideration. Any appointment to Board Committees is reviewed and approved at the same time.

The Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialisation.

## Guideline 4.7 – Key Information on Directors

The profiles of the directors are set out on pages 11 and 14 of this Annual Report.

Please refer to Guideline 4.4 on page 54 for the information on the directorships or chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director.

## 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.*

## Guidelines 5.1 to 5.3 – Assessing the effectiveness of the Board, Board Committees, Individual Director

The Board has established a set of criteria for evaluating the effectiveness of the Board and Board Committees, as well as each individual Director.



# CORPORATE GOVERNANCE REPORT

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The NC has in place an annual Board Performance Evaluation exercise, which is used to evaluate the effectiveness of the Board and facilitate discussion to enable Directors to discharge their duties more effectively. The evaluations are carried out by means of a questionnaire being completed by each Director. The results of the completed questionnaires are collated and the findings are analysed and discussed by the NC, with comparatives from the previous year's results and reported to the Board.

The Board performance evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively. Directors are encouraged to propose changes to enhance effectiveness as a whole.

The Board evaluation questionnaire takes into consideration qualitative factors such as Board composition, information flow to the Board, Board process, Board accountability, matters concerning CEO and top management and standards of conduct of Board members. The NC would review the need to set quantitative targets as performance criteria in future when appropriate.

The performance criteria will not be changed from year to year unless circumstances deem it necessary for any of the criteria to be changed, for example to align with changes to the 2018 Code and the onus should be on the Board to justify the decision.

The NC also has an annual performance evaluation exercise for each of the Board Committees. The performance evaluations of the AC, NC, RC and IC are similarly carried out with questionnaires. The results are collated and the findings are analysed and discussed by the NC, with comparatives from the previous year's results, and reported to the Board.

Individual Director assessment is also conducted whereby each Director is evaluated on his contributions to the proper guidance, diligent oversight and able leadership, and the support that he lends to Management in steering the Group. The individual Director assessment also extends to the Alternate Directors.

The results of the Board, Board Committees and Individual Director evaluation are compiled by the Company Secretary and given to the NC. In discussing the results of the performance evaluations for FY2018, the Board and Board Committee members were able to identify areas for improving their effectiveness.

The NC was generally satisfied with the FY2018 Board and Board Committees' performance evaluation results. No significant problems were identified. Board members had been engaged in more discussions and the NC together with the Board Chairman concurred that the Board had made good progress during the year. The NC had recommended that the respective Board Committee work with Management on the findings where they relate to their areas of responsibility. The NC will continue to review the evaluation process from time to time. The Board concurred with the NC's recommendation.

The assessment of CEO's performance is undertaken by the NC and the results are reviewed by the Board. Feedback is also provided to the CEO by the NC Chairman and the NC will also report the same to the Board.

## 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.*

# CORPORATE GOVERNANCE REPORT

## Guidelines 6.1 and 6.2 – Access to Information

To assist the Board in fulfilling its responsibilities, Management provides the Board with reports containing complete, adequate and timely information prior to Board meetings, and on an on-going basis. However, sensitive matters may be tabled or discussed at Board meetings without any board papers distributed. Board and Board Committees papers are provided electronically and can be accessed via tablet devices.

The Board has separate and independent access to Management and the Company Secretary and where required, can obtain additional information to facilitate informed decision-making.

Information provided includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

Minutes of all Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

## Guidelines 6.3 and 6.4 – Role of the Company Secretary

The Company Secretary attends Board and Board Committees meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Company.

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

## Guideline 6.5 – Access to independent professional advice at the Company's expense

The Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice at the Company's expense as and when necessary in furtherance of their duties. Independent advisors include legal, financial, tax, board compensation and M&A functions. The appointment of such professional advisor is subject to approval by the Board.

## REMUNERATION MATTERS

**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.*

## Guideline 7.1 – Composition of the Remuneration Committee ("RC")

The RC comprises the following members, two of whom (including the Chairman) are Independent Directors:

Mr Shabbir H Hassanbhai (Chairman)  
Mr Colin Low  
Mr Charlie Ng How Kiat

For the year under review, the RC held three meetings and the RC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Where required, the RC also sets aside time to meet without the presence of Management at RC meeting to discuss matters such as the remuneration of KMP.

# CORPORATE GOVERNANCE REPORT

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The written key terms of reference of the RC include:

1. recommending Non-Executive Directors' fees, Executive Directors' (if any) and the CEO's remunerations to the Board in accordance with the approved remuneration policies and processes of the Company;
2. reviewing service contracts for the Executive Directors, CEO and KMP to keep in line with the guidelines on contractual provisions set out in the Code;
3. looking into service contract provisions that allow the Group to reclaim incentive components of remuneration from the CEO, Executive Directors and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group;
4. reviewing and approving the remunerations of the CEO and the top 5 KMP (who are not Directors) in accordance with the approved remuneration policies and processes of the Company;
5. reviewing the eligibility of the CEO, Executive Directors and KMP for benefits under any long-term incentive schemes;
6. administering the Intraco Employee Share Option Scheme (the "2013 Scheme") and any other share option scheme or share plan established from time to time for the Directors and KMP. More information on the 2013 Scheme is set out in the Directors' Statement on pages 75 to 76;
7. reviewing the remuneration packages of employees who are related to any Director, substantial shareholder or the CEO (or executive of equivalent rank); and
8. ensuring that an appropriate proportion of the remuneration of Executive Directors and KMP is structured so as to link rewards to corporate and individual performance.

Summary of activities carried out by the RC is described under Guidelines 7.2, 7.3, 8.1,8.2, 8.3, 9.1 to 9.6 below.

## **Guideline 7.2 – Remuneration Framework**

There is a formal and transparent process for developing executive remuneration and for determining the remuneration is packages of individual Directors. No Director is involved in determining his own remuneration.

The RC reviews all matters concerning the remuneration of the Non-Executive Directors to ensure that remuneration is commensurate with their contribution and responsibilities.

None of the Non-Executive Directors has service contracts or consultancy arrangements with the Company. They are paid Directors' fees based on a structured fee framework reflecting the responsibilities and time commitment of each Director. The fee framework comprises a base fee, attendance fees, and additional fees for holding appointment as Chairman of the Board or Chairman/member of Board Committees. When required, Directors travel to assist Management by visiting target companies to better understand their operations. This would enable the Board to make a well-informed decision in evaluating the targets. A budget of S\$40,000 as travel allowance has been recommended by the RC and it will form part of the Directors' fees to be approved by the shareholders at the Company's AGM. The annual quantum of Directors' fees to be paid is also reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

# CORPORATE GOVERNANCE REPORT

The RC also reviews the remuneration packages of the CEO and KMP and submits its recommendations to the Board for endorsement. A fundamental element in the remuneration principles is the concept of pay for performance and the RC will look at the total remuneration provided which comprises annual fixed salary and variable salary component. The variable salary component is in the form of variable bonus that is linked to the performance of the Group and the individual's performance.

The RC sets the remuneration guidelines for the Group for each annual period including annual increments, total incentives for distribution to staff of all grades and structuring long-incentive plans, if applicable.

#### **Guideline 7.3 – RC access to expert professional advice**

The RC has access to expert professional advice on remuneration matters as and when it deems necessary in framing the remuneration of Directors. The expenses incurred from such advice shall be borne by the Company.

For the year under review, the Company had engaged a remuneration consultant, Willis Towers Watson (“WTW”), to review the Director's Fees Framework. The remuneration consultant has no relationships with the Company. The RC had reviewed the recommendations made by WTW submitted during the year. Although there were merits to adjust the Directors' fees, the RC having considered the current position of the Group, opined that it would not be an appropriate time to revise the fees. Therefore, RC recommended the WTW Report be kept in abeyance for the time being. The RC will revisit this when the circumstances allow for it.

#### **Guideline 7.4 – Fair and Reasonable Termination Clauses**

The Company's external lawyers were engaged in 2017 to assist the RC to review the Company's obligations arising in the event of termination of the KMP's contracts of service and the RC is satisfied that the termination clauses are fair and reasonable and not overly generous.

## 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.*

#### **Guideline 8.1 – Remuneration of Executive Directors and KMP**

In setting remuneration packages, the RC takes into consideration the prevailing market conditions, the pay and employment conditions within the industry and in comparable companies.

As part of its review, the RC ensures that the performance-related elements of remuneration form an appropriate part of the total remuneration package of the KMP and that each package is designed to align their interests with those of shareholders and link rewards to corporate and individual performance. The RC will review the key performance indicators (KPIs) of the KMP and such KPIs will be tied to the profitability of the specific business which the individuals are managing.

The CEO, Mr Nicholas Yoong is remunerated as part of Management. He is under a service contract, which is for a fixed term of 3 years commencing 1 July 2017. The renewal of his service contract is subject to the approval of the Board with the prior review and endorsement by the RC.

# CORPORATE GOVERNANCE REPORT

## Guideline 8.2 – Long-term Incentive Scheme

The employees of the Group, including Non-Executive Directors, are eligible to participate in the 2013 Scheme. The 2013 Scheme serves as a long-term incentive scheme to better align the interest of KMP with the Company’s shareholders. No options were granted under the 2013 Scheme in FY2018.

The RC will look into implementing appropriate long-term incentive plan for KMP of the Group to encourage alignment of KMP’s interests with that of shareholders.

## Guideline 8.3 – Remuneration of Non-Executive Directors

The RC has recommended to the Board a total amount up to S\$440,000 (including the \$40,000 travel allowance) as Directors’ fees for the financial year ending 2019 (“FY2019”), to be paid quarterly in arrears. This would be tabled at the forthcoming AGM for shareholders’ approval. The Directors’ fees for FY2019 remain the same as FY2018.

The Board concurred with the RC that the proposed Directors’ fees for FY2019 is appropriate and not excessive, taking into consideration the level of contributions by the Directors, their responsibilities and obligations and factors such as effort and time spent for serving on the Board and Board Committees.

## Guideline 8.4 – Reclaim Incentive Components

There are no contractual provisions which allow the Company to reclaim incentive components of remuneration from the KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the KMP in the event of such incidents.

## DISCLOSURE ON REMUNERATION

**PRINCIPLE 9:** *Every 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.*

## Guidelines 9.1, 9.2 and 9.3 – Remuneration of Directors, CEO and Top Five KMP

A summary compensation table of the Directors receiving remuneration from the Company for FY2018 is appended below:

Name of Directors	Directors’ Fees	Travel Allowance	Total (S\$)
Mr Colin Low	88%	12%	129,875
Mr Shabbir H Hassanbhai	100%	–	85,500
Dr Tan Boon Wan	100%	–	70,625
Mr Charlie Ng How Kiat	100%	–	68,375
Dr Steve Lai Mun Fook	100%	–	52,125

# CORPORATE GOVERNANCE REPORT

A summary compensation table of the CEO and KMP receiving remuneration from the Company for FY2018 is appended below:

Remuneration Band & Name of CEO and KMP	Salary	Bonus	Other Benefits <sup>(1)</sup>	Total (\$%)
<b>S\$500,000 to S\$749,999</b>				
Mr Nicholas Yoong Swie Leong	66.6%	22.2%	11.2%	100.0%
<b>S\$250,000 to S\$499,999</b>				
Mr Soh Yong Poon	78.0%	6.5%	15.5%	100.0%
Ms Caren Soh Ying Sin	77.7%	6.5%	15.8%	100.0%
<b>Below S\$250,000</b>				
Ms Thed Tian Jee <sup>(2)</sup>	83.6%	–	16.4%	100.0%
Mr Max Tay Boon Zhuan <sup>(3)</sup>	74.0%	18.5%	7.5%	100.0%
Mr Edmond Lee Teng Chye <sup>(4)</sup>	69.7%	20.3%	10.0%	100.0%
Mr Daniel Lim Kuan Jiou <sup>(5)</sup>	94.6%	–	5.4%	100.0%

**Notes:**

- (1) Other benefits refer to employer's CPF and other allowances
- (2) Ms Thed Tian Jee resigned as GFC of the Company on 29 June 2018
- (3) Mr Max Tay Boon Zhuan was appointed as CFO of the Company on 16 August 2018 and his remuneration was pro-rated in the above table
- (4) Mr Edmond Lee Teng Chye was appointed as Senior Vice President of the Company on 1 February 2018 and his remuneration was pro-rated in the above table
- (5) Mr Daniel Lim Kuan Jiou was appointed as General Manager of K.A. Group on 19 March 2018 and his remuneration was pro-rated in the above table

The disclosure of the CEO and KMP's remuneration in bands of S\$250,000 (based on gross remuneration received and inclusive of employer's contributions to the Central Provident Fund) is as set out in the above table. Due to sensitivities and confidentiality reasons, the Company believes that disclosure of their remuneration in bands of S\$250,000 should be sufficient to provide an insight into the link between their compensation and performance. Further details are deemed to be not in the interest of the Company due to the competitiveness of the industry for key talents. The aggregate remuneration paid to the said KMP (who are not Directors or CEO of the Company) in FY2018 amounted to S\$1,257,779.

Apart from the above, no termination, retirement and post-employment benefits were granted to the Directors, CEO and the KMPs for FY2018.

**Guideline 9.4 – Employees who are Immediate Family Members of a Director or the CEO**

No employee of the Group was an immediate family member of a Director or the CEO in FY2018.

**Guideline 9.5 – Employee Share Scheme**

The Company has a share option scheme known as "Intraco Employee Share Option Scheme (the "2013 Scheme") which was approved and adopted by shareholders of the Company on 29 April 2013. The 2013 Scheme gives the Group added flexibility in structuring more competitive remuneration packages to award and retain those executive personnel and Non-Executive Directors whose services are vital to the well-being, growth and success of the Group. The 2013 Scheme is administered by the RC. There were no options granted since the commencement of the 2013 Scheme.

# CORPORATE GOVERNANCE REPORT

## Guideline 9.6 – Remuneration and Performance

The Company is of the view that the current disclosure provides sufficient overview of the remuneration of the Group while maintaining confidentiality of staff remuneration matters. Annual variable bonuses would be linked to achievement of financial and non-financial key performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management). Long-term incentive plans are conditional upon pre-determined performance targets being met and the long-term incentive plans serve to motivate and reward employees and align their interests to maximise long-term shareholders' value.

During the year, the RC had discussed and considered the implementation of a long-term incentive plan on shares grants. However, due to the liquidity of the Company's shares, the shares grants might not be an attractive incentivisation tool at this point in time. The RC will continue to review the shares grants option when appropriate.

The RC ensures that there is a strong correlation between bonuses payable, and the achievement and performance of the Group and individual staff. The RC also ensures that there is a good balance of short-term and long-term incentive schemes to motivate continuous and sustainable performance.

## ACCOUNTABILITY AND AUDIT

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

## Guideline 10.1 – Accountability for accurate information

The Board endeavours to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through timely announcements via SGXNET.

The Audit Committee and the Board also meet to review and monitor the Group's performance at regular interval besides the Group's half-yearly and full year financial performance.

## Guideline 10.2 – Compliance with legislative and regulatory requirements

In line with the requirements of the SGX-ST, negative assurance confirmation statements were issued by the Board to accompany the Group's interim financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Group's results announcements to be false or misleading in any material aspect. This is in turn supported by a written confirmation from the CEO and CFO (see explanation under Guideline 11.3 below). The Group is not required to issue negative assurance confirmation statements for its full year results announcements.

The Company also completes and submits the compliance checklists to SGX-ST (if applicable) to ensure that all financial results announcements, circulars and letters to shareholders should comply with the minimum requirements set out in the listing manual of the SGX-ST.

## Guideline 10.3 – Management Accounts

Management provides the Board with a continual flow of relevant information on the Group's operational, financial and compliance matters on a timely basis, including monthly management accounts in order that the Board may effectively discharge its duties.

# CORPORATE GOVERNANCE REPORT

## 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.*

### **Guideline 11.1 – Design, implementation and monitoring of risk management and internal control systems**

The Board has overall responsibilities for the governance of risk and exercises oversight of the material risks in the Group's business. The Board ensures that Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets and in this regard, is assisted by the AC which conducts the reviews of the adequacy and effectiveness of the Group's internal controls and risk management systems.

Management reports to the AC on the Group's risks profile on a quarterly basis, evaluates results and proposes counter measures to mitigate identified potential risks.

### **Guideline 11.2 – Adequacy and effectiveness of risk management and internal control systems**

The Board has adopted an enterprise risk management framework. This risk framework has 4 principal risk categories, namely strategic, financial, operational and compliance risks.

The Group's risk management framework is aligned with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework.

The risk framework is reviewed regularly taking into account changes in the Group's business and operating environment as well as evolving corporate governance requirements.

The identification and management of risks are delegated to Management, who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. Identified risks that affect the achievement of the Group's business objectives are compiled in the Group Risks Register and are being ranked according to the likelihood and consequential impact to the Group as a whole.

### **Risk Management Policies and Processes**

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk, equity price risk and interest rate risk. Details on the foregoing are more particularly set out in the Notes to the Financial Statements. These risks are monitored by AC and the Board on a quarterly basis.

The Company's Internal Auditor ("IA") reviews material internal controls as part of the internal audit plan to provide independent assurance to the AC and the Board on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

The IA presents her findings to the AC on a quarterly basis. If any non-compliance or internal control weaknesses are noted during the audit, the corresponding recommendations and Management's responses are reported to the AC.

The external auditors report any significant deficiencies of such internal controls to the AC. The AC and the Board review the adequacy and effectiveness of the risk management and internal controls system at least annually.

# CORPORATE GOVERNANCE REPORT

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## Guideline 11.3 – Adequacy and effectiveness of internal controls

On half-yearly and annual basis, the CEO and CFO will provide a written confirmation (“**Management Assurance Letter**”) to the Board confirming that:

1. the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances;
2. nothing had come to Management’s attention which might render the financial results of the Group as at the end of the financial year to be false or misleading in any material aspect;
3. Management was aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company; and
4. there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Company’s financial, operational, compliance and information technology controls which could adversely affect the Company’s ability to record, process, summarise or report financial data, or of any fraud, whether material or not.

The Board has received the Management Assurance Letter duly signed by the CEO and CFO.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, reviews performed by Management and the various Board Committees and the Management Assurance Letter signed by the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that the Group’s internal controls and risk management systems were adequate and effective as at 31 December 2018 to address financial, operational and compliance risks, including information technology risks, which the Company considers relevant and material to its operations.

While the Board acknowledges that the system of internal controls and risk management established by Management provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it endeavours to achieve its business objectives, it is also mindful that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

## Guideline 11.4 – Separate Risk Committee

The Company does not have a Risk Committee. However, Management regularly reviews the Group’s business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

The AC is responsible for determining the Group’s levels of risk tolerance and risk policies and oversees Management’s implementation and monitoring of risk management and internal control systems.

# CORPORATE GOVERNANCE REPORT

## 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.*

### **Guideline 12.1 – Composition of the AC**

The AC oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. The AC comprises the following members, all of whom are Independent Directors:

Dr Tan Boon Wan (Chairman)  
Mr Colin Low  
Mr Shabbir H Hassanbhai

For the year under review, the AC held six meetings and the AC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

### **Guideline 12.2 – Expertise of AC members**

The Board is of the view that the AC members, having accounting and related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. All members of the AC have many years of experience in senior management positions in both financial and industrial sectors.

### **Guideline 12.3 – Authority of the AC**

The AC has explicit authority to investigate any matter relating to the Group’s accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources, and personnel to enable it to discharge its functions properly; and has full access to and cooperation of Management and the discretion to invite any Director or officer to attend its meetings.

### **Guidelines 12.4 & 12.8 – Duties of AC and Activities of the AC**

The written key terms of reference of the AC include:-

1. reviewing the audit plans of the internal and external auditors of the Company, and their reports arising from their audits including Management’s response to their letter to Management;
2. reviewing the financial statements of the Company and the consolidated financial statements of the Group;
3. reviewing the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account to ensure the integrity of the financial statements and any formal announcements relating to the financial performance of the Company and of the Group; reviewing the half-year and full year results announcements of the Group before submission to the Board for approval;
4. reviewing and reporting the adequacy and effectiveness of material internal controls, including financial, operational, compliance and information technology controls and risk management systems;

# CORPORATE GOVERNANCE REPORT

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5. the cost-effectiveness, independence and objectivity of the external auditors, nature and extent of non-audit services provided and approval of audit and non-audit fees payable to the external auditors. Audit and non-audit fees which comprised corporate tax compliance services paid to the external auditors, KPMG LLP, amounted to S\$240,858 and S\$64,994 respectively.

The AC undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The external auditors have confirmed their independence in this respect;

6. making recommendations to the Board for the appointment or re-appointment of the external auditors of the Company. The AC, with the concurrence of the Board, recommended the re-appointment of KPMG LLP, Public Accountants and Chartered Accountants, as the Company's Auditors for the ensuing year based on their performance and quality of their audit;
7. reviewing interested person transactions ("IPTs") to ensure that the current procedures for monitoring of IPTs have been complied with and that the IPTs are on normal commercial terms and not prejudicial to the interests of the Company's minority shareholders;
8. reviewing the scope and results of the internal audit procedures, and the adequacy and effectiveness of the Company's internal audit function;
9. approving the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced; and
10. directing the Management to report regularly to AC on the Company's risk profile and the status of risk mitigation action plans.

During FY2018, the AC has carried out the above duties as provided in their terms of reference. In addition, the AC has assisted the Board to review the Company's sustainability report framework. The AC also ensured that Management put in place the terms of reference for the internal Sustainability Steering Committee who oversees the development, review and implementation of the Group's sustainability policies, practices and initiatives.

The external auditors provide regular updates and periodic briefings to the AC on changes or amendments to accounting standards from time to time to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. The AC is entitled to seek clarification from Management, the external auditors, independent professional advisors and to attend relevant seminars at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

# CORPORATE GOVERNANCE REPORT

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In performing its functions, the AC also:

1. confirms that the Company has complied with Listing Rule 715 in relation to the appointment of the same auditing firm based in Singapore to audit the financial statements of the Company, all of its Singapore-incorporated subsidiaries and joint venture; and
2. confirms that the Company has complied with Listing Rule 716 in relation to the appointment of the different auditing firm based in Singapore to audit the financial statements of its associate, Dynamic Colours Limited. The AC, with the concurrence of the Board, is satisfied that such an appointment would not compromise the standard and effectiveness of the audit of the Company. The Group's subsidiaries, associate and joint venture are disclosed under Note 6 and 7 of the Notes to the Financial Statements on pages 121 to 124 of this Annual Report.

#### **Guideline 12.5 – Meeting with external auditors and internal auditors**

The AC meets with the external and internal auditors without the presence of Management, at least annually to discuss any issues they may have (including suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on the Company and Group's operating results or financial position), and Management's response thereof. Both set of auditors had confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audit.

#### **Guideline 12.6 – Review the independence of external auditors**

The AC confirms that the Company has complied with Listing Rule 712 in that KPMG LLP is registered with the Accounting and Corporate Regulatory Authority (ACRA). The AC is satisfied that the resources and experience of KPMG LLP, the audit engagement partner and the team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group. The AC also undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The external auditors have confirmed their independence in this respect.

#### **Guideline 12.7 – Whistle-blowing policy**

The AC also reviews arrangements by which staff of the Company and external parties may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Group has in place a whistle-blowing policy to ensure independent investigations of such matters and for appropriate follow up action.

The policy is aimed at encouraging the reporting of such matters in good faith, with the confidence that staff of the Company and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. There was no whistle blowing report received for FY2018.

New employees are briefed on the policy.

#### **Guideline 12.9 – Former partner or Director of the Company's existing auditing firm**

The AC does not have any member who is a former partner or Director of the Company's existing audit firm.

# CORPORATE GOVERNANCE REPORT

## KEY AUDIT MATTERS

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the following key audit matters as reported by external auditors for FY2018.

Key Audit Matters	How these issues were addressed by AC
Measurement of revenue and costs in the projects business	<p>Management briefed the AC on the Group's processes for determining the amount of revenue and costs recognised in the projects business; including deriving the project costs to be incurred to fulfil the contract and costs incurred to-date to determine the timing of satisfaction of performance obligations (using the input method).</p> <p>The AC considered the findings of the external auditors that there were no identified deviations in operating effectiveness of controls applied by the Group. The estimates and assumptions applied for recognition of revenue and costs were found to be balance and there were no errors identified in relation to calculation of estimated revenue and costs for significant projects.</p> <p>The AC was satisfied with the accounting of the Group's revenue and costs recognition for the project business.</p>
Recoverability of goodwill	<p>The AC considered the approach and methodology applied in determining the recoverable amount of K.A. Group, being the cash generating unit which goodwill was allocated.</p> <p>The AC received reporting from the external auditors that the assumptions and resulting estimates on the recoverable amount of K.A. Group (derived using the value in use method) were within a reasonable range of outcomes and there were no errors identified in the calculations.</p> <p>The AC was satisfied with the valuation approach, estimation of recoverable amount of the K.A. Group and adequacy of related disclosures in the financial statements.</p>
Valuation of contingent consideration and financial derivatives	<p>Management presented the valuation outcomes by the independent external valuer to the AC.</p> <p>The AC took into consideration the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied by the independent external valuer to derive the valuation of contingent consideration and financial derivatives.</p> <p>The AC was satisfied with the valuation process, the methodologies used and the valuation for contingent consideration and financial derivatives as adopted and disclosed in the financial statements.</p>

# CORPORATE GOVERNANCE REPORT

Key Audit Matters	How these issues were addressed by AC
Valuation of interest in joint venture	<p>The AC considered the methodology applied in determining the recoverable amount of the joint venture.</p> <p>The AC received reporting from the external auditors that the assumptions and resulting estimates on the recoverable amount of the joint venture (derived using the value-in-use method) were within a reasonable range of outcomes, and there were no errors identified in the calculations.</p> <p>The AC was satisfied with the methodology, assumptions and key estimates applied to estimate the recoverable amount of the joint venture and adequacy of related disclosures in the financial statements.</p>

## INTERNAL AUDIT/INTERNAL AUDITOR (“IA”)

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

### Guideline 13.1 – Role of IA

The role of IA is to provide independent and objective assurance that adds value and improve the Group’s operations. The IA helps the Group to accomplish its objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes. The IA conducts regular audits of the Group’s subsidiaries based on a risk based audit approach in its audit plan approved by the AC. The IA of the Company reports functionally to the AC Chairman and administratively to the CEO. The AC is responsible for the appointment, termination and remuneration of the IA.

### Guideline 13.2 – Adequacy of resources

The AC also ensures that the IA function is adequately resourced and has appropriate standing within the Group. The IA has unfettered access to all the Group’s documents, records, properties and personnel and direct access to the AC.

The role of the IA is to support the AC in ensuring that the Group maintains a sound system of internal controls by highlighting any weaknesses in the current process, ascertaining that operations were conducted in accordance with established policies and procedures, and to identify areas for improvement where controls can be strengthened.

### Guidelines 13.3 and 13.4 – IA function

The IA has the relevant qualifications and experience to discharge her duties effectively. The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the IIA Standards) laid down in the International Professional Practices Framework are used as a reference and guide by the Company’s IA. The Company’s IA has confirmed to the AC that she is in compliance with the IIA Standards.

### Guideline 13.5 – Adequacy and effectiveness of the IA function

The IA adopts a risk-based approach in formulating the annual plan. The AC approves the IA Plan annually and reviews the adequacy and effectiveness of the internal audit function. Reports prepared by the IA are reviewed by the AC on a quarterly basis. The AC assesses the adequacy and effectiveness of the IA function and ensures that the IA has direct and unrestricted access to the AC Chairman.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' 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.*

### **Guideline 14.1 – Communication with shareholders**

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Accordingly, financial results and other material information on the Company are published through SGXNET and the corporate website of the Company in a timely manner. The Company's website has recently been revamped adopting a more user-friendly interface and features.

The Company does not practice selective disclosure. Price-sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of AGM as well as any circular and notice of Extraordinary General Meeting. These notices are advertised in the newspapers and made available on the Group's website.

### **Guideline 14.2 – Participation of shareholders at general meetings**

The Company welcomes the views of shareholders on matters concerning the Company and encourages shareholders' participation at shareholders' meetings. All shareholders are entitled to attend the general meetings and are given ample opportunity and time to participate effectively and vote at the meetings. Shareholders are welcomed to communicate their views on matters relating to the Group with the Board and the Chairmen of the Board Committees and the external auditors of the Company in attendance. Shareholders are informed of the rules, including voting procedures that govern the general meetings. The Company's Constitution allows a shareholder to appoint up to two (2) proxies to attend and vote on behalf of the shareholder.

### **Guideline 14.3 – Appointment of proxies**

Relevant intermediaries as defined in Section 181 of the Act may appoint more than two proxies to attend, speak and vote at general meetings.

## 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.*

### **Guideline 15.1 – Information to shareholders**

The Board recognises the importance of engaging with shareholders, investors and analysts to obtain and understand their concerns and feedback. As a demonstration of the Company's commitment to transparency and fair disclosure, the Company had adopted an Investor Relations Policy to promote regular and effective communication with shareholders.

### **Guideline 15.2 – Company to disclose information on a timely basis**

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet, its corporate website at [www.intraco.com.sg](http://www.intraco.com.sg) and the media. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as possible.

# CORPORATE GOVERNANCE REPORT

## Guidelines 15.3 and 15.4 – Dialogue with shareholders

The Group's Investor Relations ("IR") Team is led by the Board Chairman, and actively supported by the CEO as well as an external Investor Relations agency, Citigate Dewe Rogerson Singapore Pte Ltd ("CDR Singapore"). The Chairman and CEO are empowered to act as spokespersons towards security holders and securities markets professionals. Enquiries are to be directed to the Group's external IR agency, CDR Singapore at (65) 6534 5122 or email [huikheng.chia@citigatedewerogerson.com](mailto:huikheng.chia@citigatedewerogerson.com). To-date, given the nature of the Company's business which has not materially changed, the Company has not solicited the views of shareholders other than those expressed by them during its general meetings. The Company will review the need for analyst briefings, investor roadshows or Investors' Day briefings when necessary.

## Guideline 15.5 – Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of any proposed dividends will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

The Company did not declare any dividends for FY2018. There was insufficient distributable profits available for the declaration of dividend as there was a loss at Company level despite net profits at Group level. The Company level loss was mainly due to fair value losses on the written call and put options in connection with the Company's acquisition of the remaining 30% equity interest in K.A. Group. The significant decline in the financial performance of the K.A. Group was a key contributor in the lower valuation of the above-mentioned options, resulting in the fair value losses.

## 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.*

### Guideline 16.1 – Absentia voting

If any shareholder is unable to attend a shareholders' meeting, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars (as the case may be).

As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

### Guideline 16.2 – Separate resolutions at general meetings on each substantially separate issue

The Company does not practice bundling of resolutions at general meetings. Each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the meetings.

### Guideline 16.3 – Attendance at general meetings

All Directors, including the Chairman of the Board and the respective Chairman of the AC, NC and RC, as well as external auditors are present at general meetings to address shareholders' queries.

### Guideline 16.4 – Minutes of general meetings

All minutes of general meetings are available to shareholders upon request.

# CORPORATE GOVERNANCE REPORT

## Guideline 16.5 – Voting by Poll

In support of greater transparency of the voting process, poll voting will be conducted for all resolutions proposed at the general meeting. A scrutineer is appointed to count and validate the votes cast at the meeting. The total number of votes cast for or against is also announced at the general meeting. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. The detailed voting results will also be announced to SGX-ST via SGXNet on the same day after the conclusion of the meeting.

## INVESTMENT COMMITTEE (“IC”)

With the important priorities placed by the Board on inorganic growth and enhanced financial investment returns, an Investment Committee was set up and given the mandate to conduct due assessments of all merger and acquisition opportunities as well as investment activities of the Group.

The IC comprises the following members, of whom one, the Chairman, is an Independent Director and the other two are Non-Executive Directors:

Mr Colin Low (Chairman)  
Mr Charlie Ng How Kiat  
Dr Steve Lai Mun Fook

For the year under review, the IC held five meetings and the IC Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The members of the IC have broad business experience, financial and investment knowledge.

The IC’s primary role, which is outlined in its written terms of reference, is to provide advisory support to Management/ the Company on the following:

1. investments, merger, acquisition and disposal transactions;
2. participation in joint venture or partnership (or such similar arrangement);
3. other capital investments and financial commitments (including treasury management); and
4. Group investment and treasury management policy guidelines and related procedures/processes.

Summary of activities carried by the IC during the year include:

1. Review of the Group’s investment in associated companies and subsidiaries;
2. Review of investment of proceeds from bond divestment; and
3. Review of new investment opportunities.

# CORPORATE GOVERNANCE REPORT

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## CONDUCT AND ETHICS POLICY

All employees are required to observe and maintain high standards of integrity, as well as comply with laws, regulations and Company's policies. The Company sets standards of ethical conduct for employees, which cover all aspects of the business operation of the Group such as work ethics, personal conflicts of interest, and confidentiality of information, related party transactions, gifts and dealing in the Company's securities.

## DEALINGS IN SECURITIES (LISTING RULE 1207(19))

The Group has in place internal guidelines in relation to dealing in the Company's securities. The Directors and all employees of the Group are prohibited from trading in the Company's securities during the relevant blackout period of one (1) month prior to the release of the Group's half-year and full year results. They are also required at all times to observe the insider trading rules stipulated in the Securities and Futures Act, Cap. 289 and are discouraged from dealing in the Company's securities on short-term considerations. Directors and the CEO are also required to notify their dealings in the Company's securities within 2 business days.

## INTERESTED PERSON TRANSACTIONS ("IPT") (LISTING RULE 907)

The Company has in place internal procedures to ensure that all transactions with interested persons are reported to AC in a timely manner, and an IPT register is maintained by the Company's IA. The Company currently does not have an IPT mandate in place. For FY2018, there was no IPT.

## MATERIAL CONTRACTS (LISTING RULE 1207(8))

Except as disclosed in Note to the Financial Statements and the Supplementary Information, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, each Director or controlling shareholders in FY2018.