

# CORPORATE GOVERNANCE REPORT

## **INTRODUCTION**

This report outlines the main corporate governance practices and procedures adopted by Blumont Group Ltd. (“**Blumont**” or “**Company**” and together with its subsidiaries, the “**Group**”) with specific reference to the Code of Corporate Governance 2012 (“**Code**”). The Group and the Board of Directors (“**Board**”) are committed to ensure and fully supports the principles and guidelines of the Code that forms part of the continuing obligations as described in the Singapore Exchange Securities Trading Limited’s (“**SGX-ST**”) Listing Manual. The Board recognises that sound corporate governance practices are important to the proper functioning of the Group and enhances the interest of all shareholders.

This report describes the Company’s corporate governance practices that were in place throughout the financial year ended 31 December 2017 (“**FY2017**”), with specific reference to the Code. Where there are deviations from the Code, appropriate explanations are provided. The Company has complied with the principles of the Code where appropriate.

The Board is pleased to confirm that the Group has adhered to all principles and guidelines set out in the Code where appropriate.

### **The Code**

The Code is divided into four main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Shareholders Rights and Responsibilities

### **(A) BOARD MATTERS**

#### ***Principle 1: The Board’s Conduct of its Affairs***

***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.***

As of the date of this report, the Board of the Company comprises six (6) members (“**Directors**”), namely:

Mr. Siaw Lu Howe (Executive Chairman and Chief Executive Officer)  
 Mr. Lee Boon Teck (Executive Director and Chief Operating Officer)  
 Ms. Kek Wei Na (Executive Director and Chief Financial Officer)  
 Mr. Calvin Lim Huan Kim (Lead Independent Non-Executive Director)  
 Mr. Tan Gim Kang, Arran (Independent Non-Executive Director)  
 Mr. Aris Muhammad Rizal (Independent Non-Executive Director)

The profile of each Director is presented in the section headed “Board of Directors” of this Annual Report.

Blumont is headed by competent Board members with diversified backgrounds and they collectively bring with them a wide range of experience. Each first-time Director brings to the Board specific industry knowledge and expertise.

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Newly appointed Directors will be provided with a formal letter, setting out their duties and obligations and first-time Directors will be required to attend relevant training. The Company has in place general orientation-training programmes to ensure that every newly appointed and incoming Director of the Company is familiar with the Group's operations and governance practices including briefing on the Group's financial performance, strategies and action plans, corporate strategic direction, policies and activities.

Mr. Siaw Lu Howe, Mr. Lee Boon Teck and Ms. Kek Wei Na were appointed as Directors of the Company on 6 December 2017 and each of them had undergone sufficient induction, whether internal or external, to familiarise themselves with the role and responsibilities as a Director of a listed company and discharge their respective duties.

Directors are also briefed and/or updated regularly on accounting and regulatory changes as well as changing commercial risks, where necessary, including but not limited to: (a) amendments to the SGX-ST Listing Manual, (b) changes to the Companies Act, Chapter 50 and (c) changes to the Financial Reporting Standards.

In addition, the Board encourages its members to attend relevant seminars and courses to keep themselves updated on developments and changes in financial and regulatory requirements, and the business environment and outlook.

## Role of the Board of Directors

The Board establishes the corporate strategies for the Group and sets strategic directions and objectives for the Management, supervises them and monitors the performance of these objectives to enhance and build long term sustainable value for shareholders.

The Board has delegated the day-to-day management of the Group to the Management headed by the Executive Chairman and Chief Executive Officer to facilitate effective management. The principal functions of the Board are to, *inter alia*:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risk to be assessed and managed including safeguarding of the shareholders' interest and the Company's assets;
- review and monitor the performance of Management;
- set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- consider sustainability issues, where applicable, in the formulation of its strategies;
- monitor and review the adequacy of the Company's internal control systems, risk management systems, compliance and financial reporting systems;
- approve the annual budgets, business plans, major funding proposals, financial restructuring, share issuance, investment and divestment proposals; and
- review the Group's financial performance.

The Board carries out its function directly or through various committees, which have been set up to support its role.

Each Director is expected, in the course of carrying out his duties, to act in good faith and consider at all times the interests of the Company.

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The Board has established and delegated certain specific responsibilities to the following three (3) Board committees to support the role of the Board:

- Nominating Committee (“**NC**”);
- Remuneration Committee (“**RC**”); and
- Audit Committee (“**AC**”).

These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of these committees is also constantly monitored and reviewed by the Board. The roles and responsibilities of these committees are provided for in the latter sections of this report.

The Board accepts that while these Board committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

## Board Meetings Held

The Board conducts meetings on a quarterly basis to coincide with the announcement of the Group’s quarterly and full-year results. Ad-hoc meetings are convened as warranted by particular circumstances.

In addition to these meetings, special corporate events and actions requiring the Board’s immediate approval were discussed over electronic mails and telephonic conference and resolved with Directors’ resolutions. The Company’s Constitution allows the Board to hold telephonic and video-conference meetings.

## Matters Requiring the Board’s Approval

The matters which require the Board’s approval, include but are not limited to:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- financial objectives and financial performance of the Group;
- corporate strategic direction, strategies and action plans;
- the setting of policies and key business initiatives;
- major funding, material acquisition, investments, disposal and divestments and other material transactions; and
- the appointment and removal of the company secretaries.

The Board has established financial authorisation and proper approval processes pertaining to the operating and capital expenditures, including acquiring and disposing of assets and investments. This includes proper procedures, guidelines, handbooks, policies and forms that are set forth and established for guidance, monitoring and review.

# CORPORATE GOVERNANCE REPORT

The number of Board and Board Committee meetings held in FY2017 and the attendance of each Director where relevant are as follows:

Name	Board of Directors		Nominating Committee ("NC")		Remuneration Committee ("RC")		Audit Committee ("AC")	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Siaw Lu Howe <sup>1</sup>	5	–	NA	NA	NA	NA	NA	NA
Mr. Lee Boon Teck <sup>2</sup>	5	–	NA	NA	NA	NA	NA	NA
Ms. Kek Wei Na <sup>3</sup>	5	–	NA	NA	NA	NA	NA	NA
Mr. Calvin Lim Huan Kim	5	5	1	1	1	1	4	4
Mr. Tan Gim Kang, Arran	5	5	1	1	1	1	4	4
Mr. Aris Muhammad Rizal	5	5	1	1	1	1	4	4
Mr. Ng Kim Huatt <sup>4</sup>	5	5	NA	NA	NA	NA	NA	NA
Mr. Alan Chin Yu <sup>5</sup>	5	4	NA	NA	NA	NA	4	1

NA: Not applicable

Notes:

1. Mr. Siaw Lu Howe was appointed as Executive Chairman and Chief Executive Officer on 6 December 2017.
2. Mr. Lee Boon Teck was appointed as Executive Director and Chief Operating Officer on 6 December 2017.
3. Ms. Kek Wei Na was appointed as Executive Director and Chief Financial Officer on 6 December 2017.
4. Mr. Ng Kim Huatt resigned from the Board on 4 December 2017.
5. Mr. Alan Chin Yu was redesignated from Non-Independent Non-Executive Director, as well as a member of NC and RC to Executive Director and Chief Financial Officer on 2 May 2017. He subsequently resigned from the Board on 4 December 2017.

## Principle 2: Board Composition and Guidance

**There should be a strong and independent element on the Board, which is able to exercise objective judgment 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.**

### Board Composition and Independent Directors

The Board comprises six (6) Directors, three (3) Directors being Executive Directors and three (3) Directors being Independent Non-Executive Directors.

The Company has adopted the Code's definition of "Independent Director" and its guidance in respect of relationships which would deem a Director to be regarded as non-independent. The Company has the number of Independent Directors which complies with the Code's requirement that at least half of the Board should be made up of Independent Directors, which brings a strong and independent element to the Board.

The functions of examining and assessment of the Board are delegated to the NC and its responsibilities and assessment are further discussed under the **Nominating Committee** heading, **Principle 4** and **Principle 5** as below.

As part of good corporate governance, the NC also reviews annually the independence of Independent Directors to ascertain the compliance to the Code's definition of independence. Conversely, the NC has the discretion to determine that a Director is non-independent even if the Director does not fall under the circumstances set forth.

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The criterion for independence is determined based on the definition as provided in the Code and Terms of Reference by examining the different relationships and no relationship that could interfere and/or view to interfere with the judgement of the Director is considered to be independent.

In addition, the Non-Executive Directors are constructively reviewing and assisting the Board to facilitate and develop proposals on strategy and review the performance of the Management in meeting on agreed objectives and monitoring the reporting of performance. On the effectiveness, the Independent Directors have the full access and co-operation from the Company's Management and officers including on a regular basis, presentation and review of the financial performance. The Independent Directors have full discretion to have separate meetings and to invite any Directors or officers to the meetings and to meet without the presence of Management as and when warranted by certain circumstances.

The Independent Directors namely Mr. Calvin Lim Huan Kim, Mr. Tan Gim Kang, Arran and Mr. Aris Muhammad Rizal has each confirmed that they do not have any relationship with the Company, its related corporations, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interest of the Company.

Presently, Mr. Calvin Lim Huan Kim ("Mr. Calvin Lim") has served as an Independent Director of the Company for more than nine (9) years since his initial appointment in 2004. The Board has assessed his independence to a particularly rigorous review. Taking into account the views of the NC, the Board concurs that Mr. Calvin Lim continues to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company. Based on the declaration of independence received from Mr. Calvin Lim, he has no association with management that could compromise his independence. After taking into account all these factors, and also having weighed the need for Board's refreshment against tenure for relative benefit, the Board has determined Mr. Calvin Lim to continue to be considered an Independent Director, notwithstanding he has served on the Board for more than nine (9) years from the date of his first appointment.

The NC is satisfied that the Independent Directors meet the criterion of independent as set forth and each of them has the ability to act with independent judgement.

The composition of the Board takes into consideration the nature and scope of the Company's operations to ensure diversity and relevant skill sets for effective decision making. The Directors have varied qualifications and expertise in finance, accounting, business management, industry knowledge and strategic planning. After taking into account the scope and nature of the Company's operations as well as the diversified background and experience of the Directors, the NC and the Board is satisfied that the composition of the Board is of an appropriate size to facilitate effective decision making. The NC is also of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective.

On an annual basis and upon notification by an Independent Director of a change in circumstances, the NC will review the independence of each Independent Director based on the criteria for independence defined in the Code and recommends to the Board as to whether the Director is to be considered independent. The NC has reviewed and determined that all the Independent Directors of the Company are independent.

### **Principle 3: Chairman and Chief Executive Officer ("CEO")**

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

Mr. Siaw Lu Howe is the Executive Chairman and Chief Executive Officer of the Company, appointed since 6 December 2017. The Company has adopted a single leadership structure taking into consideration of the current size, scope and operations of the Group.

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All major proposals and decisions made by the Executive Chairman and Chief Executive Officer are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Company has appointed Mr. Calvin Lim as the Lead Independent Director. The Lead Independent Director is available to shareholders when they have concerns which contact through the normal channels of the Executive Chairman and Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

Led by the Lead Independent Director, the Independent Directors of the Company would meet periodically, as and when necessary, without the presence of the other Directors, and the Lead Independent Director would provide feedback to the Executive Chairman and Chief Executive Officer after such meetings.

The Executive Chairman and Chief Executive Officer's functions and responsibilities are mainly to:

- lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- ensure that the Board's meetings are held regularly;
- set the agenda and ensure that adequate time is available for discussion of all agenda items;
- ensure that the Directors receive accurate, timely and clear information;
- promote a culture of openness and debate at the Board;
- ensure effective communication with shareholders;
- encourage constructive relations between the Board and the Management;
- encourage constructive relations between Executive Directors and Non-Executive Directors;
- facilitate the effective contribution of Non-Executive Directors in particular;
- provide and advise the Board in its strategic direction of the Company; and
- promote high standards of corporate governance by ensuring compliance with the Company's guidelines on corporate governance.

The Executive Chairman and Chief Executive Officer is also responsible for the Group's strategic direction, to ensure the execution of strategic goals and day-to-day management of the Group.

## ***Principle 4: Board Membership***

***There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.***

### **Nominating Committee**

As at the date of this report, the NC of the Company comprises three (3) members, namely:

- Mr. Tan Gim Kang, Arran (Chairman);
- Mr. Calvin Lim Huan Kim; and
- Mr. Aris Muhammad Rizal.

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All members of the NC are Independent Directors and none of the NC members are associated with any substantial shareholders of the Company. The members meet at least once a year.

The Board is of the view that the current NC size and composition are appropriate and effective to provide the necessary objective inputs to the Board on appointment and re-appointment of Directors and other relevant matters to the Board. The Board will constantly examine the NC composition from time to time.

The NC has specific written Terms of Reference setting out their duties and responsibilities. The NC's main principal functions are as follows:

- review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of Directors;
- review and recommend the re-nomination of Directors in accordance with the Constitution at each annual general meeting and having regard to the Director's contribution and performance;
- ensure that at least half of the Board made up of Independent Directors;
- determine annually whether or not a Director of the Company is independent;
- review of structure, composition and size of the Board;
- decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board; and
- assess the performance of the Board as a whole and contribution of each Director to the effectiveness of the Board.

The process for the selection and appointment of new Board members is as follows:

- the NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with the Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- the NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board;
- the NC meets with short-listed candidate(s) to assess their suitability and to ensure that the candidate(s) are aware of the expectations; and
- the NC makes recommendations to the Board for approval.

The NC establishes the process for assessing the effectiveness of the Board and for assessing the contribution by each individual Director. It also makes recommendations to the Board on re-appointments of Directors based on their contributions and performance, a review of the range of expertise, skills and attributes of current Board members, and the needs of the Board.

The Board has placed each individual Director such that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as directors of the Company, bearing in mind his other commitments. In considering the nomination of directors for re-election and re-appointment, the NC will take into account, amongst others, the competing time commitments faced by the directors with multiple Board memberships.

In FY2017, the NC is satisfied that sufficient time and attention were being given by the Directors to the affairs of the Group, and there is presently no need to implement internal guidelines to address their competing time commitments. The NC is also of the opinion that the current Board size is adequate for the effective functioning of the Board.

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Pursuant to the Constitution of the Company, one-third of the Directors are required to retire by rotation and submit themselves for re-election at each annual general meeting of the Company. The Constitution also provides that all the Directors shall retire by rotation at least once every three (3) years and such retiring Director shall be eligible for re-election. According to the Company's Constitution, Mr. Aris Muhammad Rizal shall retire pursuant to Article 110 of the Constitution, and Mr. Siaw Lu Howe, Mr. Lee Boon Teck and Ms. Kek Wei Na shall retire pursuant to Article 120 of the Company's Constitution and will each submit themselves for re-election at the Company's forthcoming annual general meeting ("**AGM**"). In making the recommendation, the NC had considered the Directors' overall contributions and performance.

There is no alternate director on the Board.

The NC has recommended to the Board that Mr. Aris Muhammad Rizal, Mr. Siaw Lu Howe, Mr. Lee Boon Teck and Ms. Kek Wei Na be nominated for re-election at the forthcoming AGM. The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

Key information regarding the Directors, including their present and past three years' directorships in other listed companies are set out in the section headed "Board of Directors" of this Annual Report.

## **Principle 5: Board Performance**

***There should be a formal 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.***

The NC has adopted a formal process to assess the effectiveness of the Board as a whole and for assessing the contribution by each individual Director. This evaluation is to be carried out at least once a year. When a Director has multiple board representations, the Director would need to ensure that sufficient time and attention is given to the affairs of each company. Nevertheless, the NC will also review and assess whether the Director is able to and has been adequately carrying out the duties as a Director of the Company. Upon assessment, the NC will make recommendations for improvement, as and when required.

The Chairman of the Board will act on the results of the performance evaluation and recommendation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of the Directors, in consultation with the NC.

For the FY2017, the Directors were requested to complete an assessment checklist/form which focuses on the criterion on effectiveness and efficiency on the Board's access to information, evaluation of the size and composition of the Board, the Board's processes, procedures and compliance, accountability, Board's performance in connection to discharging its responsibilities and duties and Directors' standards of conduct. In addition, the Board also considered the qualitative measures such as the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board.

The individual assessment would include and aim to assess efficiency and effectiveness of each Director's continuous contribution to the Board and commitment to their roles and responsibilities in discharging their duties.

Upon reviewing the assessment, the NC is of the opinion that the Board and all its members have sufficiently contributed to the Board and Group during the year.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his/her performance or re-nomination as a Director.



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Furthermore, the Board will continuously review and assess the current size and composition of the Board on the adequate ability to meet the Group's existing scope of needs and the nature of operation for effective decision making. From time to time, the review of the appropriateness will be taking into consideration the changes in the nature and scope of the Group's operations as well as diversified background, experience of the Directors and regulatory environment.

## **Principle 6: Access to Information**

***In order to fulfill 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.***

The Board is provided with Board papers in advance before each Board Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financials, to enable them to be properly informed of matters to be discussed and/or approved.

All Directors have separate and independent access to the Management Team of the Group at all times and can communicate directly with the Management, the officers, the Company Secretary and external auditors on all matters as and when they deem necessary. They have full access to the Company's records and information and may obtain independent legal and other professional advice if they deem necessary in the discharge of their responsibilities properly. Such expenses are to be borne by the Company.

The Company Secretary and/or representative(s) from the Secretary's office will attend the Board Meetings and are responsible for recording the proceedings. In addition, the Company Secretary and/or a representative will assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Constitution and relevant rules and regulations, including requirements of the Singapore Companies Act and the SGX-ST, are complied with. The appointment and removal of the Company Secretary are decided by the Board as a whole.

## **(B) REMUNERATION MATTERS**

### **Principle 7: Procedures for Developing Remuneration Policies**

***There should be formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.***

The Company had established a RC which comprises three (3) Directors, all of whom are independent Directors.

The members of the RC are:

- Mr. Calvin Lim Huan Kim (*Chairman*);
- Mr. Tan Gim Kang, Arran; and
- Mr. Aris Muhammad Rizal.

The Board is of the view that the current RC size and composition are appropriate and effective to provide the necessary objective inputs to the Board on reviewing and recommending to the Board a remuneration framework for the Board, Management and key employees as well as other compensation related matters to the Board. The Board will constantly examine the RC composition from time to time.

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The RC is governed by the RC's Terms of Reference which describes the duties and responsibilities of the RC. The duties and functions of the RC are as follows:

- recommend to the Board a framework of remuneration for the Board, Non-Executive Directors, Executive Director, Management and key employees of the Company;
- recommend specific remuneration packages for each Director and the key management personnel of the Group;
- review of service contracts and/or employee contracts, where applicable;
- oversee and review the administration of the Blumont Employee Share Option Scheme 2013 ("**Blumont ESOS 2013**") and Blumont Performance Share Plan ("**Blumont PSP**") as defined in the Blumont Employee Share Option Scheme and Blumont Performance Share Plan, respectively through Compensation Committee (comprise of Mr. Calvin Lim Huan Kim, Mr. Tan Gim Kang, Arran and Mr. Aris Muhammad Rizal);
- recommend payment of fees to Non-Executive Directors based on the effort, time spent and responsibilities of the individual Director;
- review the Company's obligations arising in the event of termination of the Executive Director, Management and key employees' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- other acts as may be required by the SGX-ST and the Code from time to time.

The RC covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind, compensation/termination and gratuities. The members of the RC shall not be involved in the discussion and decision of their own remuneration. Each member of RC shall abstain from voting on any resolutions in respect of his/her own remuneration package.

The RC may obtain independent professional advice if it deems necessary in the discharge of its responsibilities properly. Such expenses are to be borne by the Company.

The Board has not engaged any external remuneration consultant to advise on remuneration matter for FY2017.

The Non-Executive Directors are paid a fixed director's fee for their efforts, responsibilities, time spent and contribution to the Board. Directors' fees are recommended by the Board for approval by shareholders at the Company's AGMs.

The RC has proposed and recommended that the directors' fees for the financial year ending 31 December 2018 to be at S\$100,000.00, payable quarterly in arrears. The Board concurred with the RC's proposal and recommended that the said directors' fees be tabled for shareholders' approval at the forthcoming AGM.

## **Principle 8: Level and Mix of Remuneration**

***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.***

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The review of the remuneration packages takes into consideration the long-term interests of the Group, the performance of the Group, overall assessment of the Board, the individual assessment of each Director, level of contribution to the Company and Board, taking into account factors such as, efforts, time spent, responsibilities and duties of the Directors, carefully evaluating the costs and benefits of each incentive before recommendation to the Board for review and approval. Nevertheless, the RC will ensure that the Independent Directors are not over-compensated to the extent that their independence may be compromised.

During the year, the RC reviewed the compensation and remuneration packages such that the Directors and the Management were sufficiently compensated. In addition, the RC provided appropriate compensation packages at market rates for the Board and the Management of the Company to reward good performance, attract and motivate the Directors and the Management.

The Company does not use contractual provision to allow the Company to claim incentive components of remuneration from Executive Directors and key management personnel 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 Executive Directors in the event such breach of fiduciary duties.

## **Principle 9: Disclosure on Remuneration**

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

The Company recognises that a clear disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid/payable to the Directors and the Management personnel. Blumont ESOS 2013 and Blumont PSP are as described below:

### Blumont ESOS 2013

At the Extraordinary General Meeting held on 22 April 2013, the members of the Company approved the Blumont ESOS 2013, for granting non-transferable options to employees (including executive directors) and non-executive directors of the Company.

The Blumont ESOS 2013 is administered by the Compensation Committee which is overseen by the Remuneration Committee.

The Blumont ESOS 2013 shall continue to be in force at the discretion of the Compensation Committee for a period of ten years from 22 April 2013. However, the period may be extended or terminated with the approval of shareholders at a general meeting of the Company and any relevant approvals which may then be required.

Under the Blumont ESOS 2013, options may be exercised after 1<sup>st</sup> anniversary of the date of grant and before the 5<sup>th</sup> anniversary of such date of grant for non-executive directors and the 10<sup>th</sup> anniversary of such date of grant for group employees.

The subscription price for each ordinary share in respect of which an option is exercisable shall be determined by the Compensation Committee as follows:

- (a) fixed at the market price equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three (3) consecutive trading days immediately preceding the date of grant of that option; or
- (b) set at a discount to a market price, provided that the maximum discount shall not exceed twenty per cent (20%) of the Market Price.

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No share options under the Blumont ESOS 2013 have been granted during and as at the financial year ended 31 December 2017.

Except as disclosed above,

- there were no share options granted by the Company or its subsidiaries during the financial year;
- there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries during the financial year; and
- there were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

## Blumont PSP

At the Extraordinary General Meeting held on 22 April 2013, the members of the Company approved the Blumont PSP, for granting of incentive share awards to employees (including executive directors) and non-executive directors of the Company.

The Blumont PSP is administered by the Compensation Committee which is overseen by the Remuneration Committee.

The Blumont PSP shall continue to be in force at the discretion of the Compensation Committee for a period of ten years from 22 April 2013. However, the period may be extended or terminated with the approval of shareholders at a general meeting of the Company and any relevant approvals which may then be required.

A participants' award under the Blumont PSP will be determined at the sole discretion of the Compensation Committee. In considering an award to be granted to a participant, the Compensation Committee may take into account, *inter alia*, the participant's performance and/or contribution to the Company.

Awards granted under the Blumont PSP will typically vest only after the satisfactory completion of performance-related award conditions and/or other conditions such as vesting period(s) applicable for the release of the award. No minimum vesting periods are prescribed under the Blumont PSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis.

On 13 June 2017, the Company granted 4,120,000,000 performance shares to directors and employees of the Company. The shares were issued and allotted at S\$0.001 per share on 19 June 2017. On 1 December 2017, the Company applied to the High Court of the Republic of Singapore to seek declaration that the allotment and issuance of 4,075,000,000 performance shares at S\$0.001 per share was void. On 26 January 2018, the High Court of the Republic of Singapore granted an order in terms of the application made by the Company. As a result, the allotment and issuance of 4,075,000,000 performance shares has been declared void, and the allotment and issuance of 45,000,000 performance shares has been validated and confirmed.

The Company has made applications and filings to the SGX-ST, GDP and Accounting and Corporate Regulatory Authority to make the necessary rectifications to the Company's records and statutory registers.

The remuneration of each Director and Key Management personnel (who are not Directors and/or CEO of the Company) has been disclosed in the respective bands. The Board is of the opinion that given the confidentiality of and commercial sensitivity attached to remuneration matters and to be in line with the interest of the Company, the remuneration will not be disclosed in dollar terms.

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

## Remuneration Band Above S\$250,000

Name	Director Fees	Salary & Allowance	AWS	Bonus	Compensation	Total
<b>Executive Director</b>						
Ng Kim Huatt <sup>1</sup>	–	46%	–	–	54%	100%

## Remuneration Band Below S\$250,000

Name	Director Fees	Salary & Allowance	AWS	Bonus	Compensation	Total
<b>Executive Directors</b>						
Alan Chin Yu <sup>2</sup>	3%	55%	–	–	42%	100%
Siaw Lu Howe <sup>3</sup>	–	100%	–	–	–	100%
Lee Boon Teck <sup>4</sup>	–	100%	–	–	–	100%
Kek Wei Na <sup>5</sup>	–	100%	–	–	–	100%
<b>Independent Non-Executive Directors</b>						
Calvin Lim Huan Kim	97%	3%	–	–	–	100%
Tan Gim Kang, Arran	96%	4%	–	–	–	100%
Aris Muhammad Rizal	95%	5%	–	–	–	100%
<b>Key Management Personnel (who are not Directors and/or CEO of the Company)</b>						
John Lee Yow Meng	–	100%	–	–	–	100%

<sup>1</sup> Mr. Ng Kim Huatt resigned from the Board on 4 December 2017.

<sup>2</sup> Mr. Alan Chin Yu was redesignated from Non-Independent Non-Executive Director, as well as a member of NC and RC to Executive Director and Chief Financial Officer on 2 May 2017. He subsequently resigned from the Board on 4 December 2017 and resigned as Chief Financial Officer on 6 December 2017.

<sup>3</sup> Mr. Siaw Lu Howe was appointed as Executive Chairman and Chief Executive Officer on 6 December 2017.

<sup>4</sup> Mr. Lee Boon Teck was appointed as Executive Director and Chief Operating Officer on 6 December 2017.

<sup>5</sup> Ms. Kek Wei Na was appointed as Executive Director and Chief Financial Officer on 6 December 2017.

The Company has only one key management personnel (who are not Directors and/or Chief Executive Officer of the Company) in FY2017. The total remuneration paid to the aforesaid key management personnel in FY2017 was S\$30,000.

For FY2017, there are no employees who are immediate family members of a Director or the Chief Executive Officer.

## (C) ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

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

The Board recognises the importance and aims to provide the shareholders with a balanced and understandable fair assessment of the Group's performance, position and prospects including accurate, relevant and appropriate information of the financial position, detailed explanatory analysis and the prospects of the Group when it announces the interim and annual financial statements.

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The Board furnishes the shareholders with interim financial results within 45 days from the end of each quarter and annual financial results within 60 days from the financial year end.

In addition, periodic and timely announcement of the Group's developments, price sensitive public reports and information, reports to regulators and all necessary information are provided to the shareholders in order for them to better comprehend the Group's performance, position and prospect. The announcement submitted to shareholders and the public are in accordance with SGX-ST timeline and regulations.

The Management provides the Board with financial information of the Group's performance and position, on a timely basis at all times complete with accurate, relevant and appropriate information, to facilitate effective and efficient discussion and decision making and to also enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

## **Principle 11: Risk Management and Internal Controls**

***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.***

### **Internal Control Systems**

The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board had, at least annually, reviewed the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review had been carried out internally.

In addition, the independent auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Company's material internal control systems, including financial, operational and compliance controls, information technology and risk management. Any material non-compliance or failures in internal control systems and recommendations for improvements are reported to the AC. The Committee also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect where necessary.

It is the opinion of the Board with the concurrence of the AC that the internal control systems, which address the Group's financial, operational, compliance and information technology controls and risks, maintained by the Group is in place, adequate and effective throughout the financial year and up to the date of the Annual Report. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and management of financial, operational and compliance risks.

The Board notes that all internal control systems contain inherent limitations and no internal control systems could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities. However, other procedures, policies, guidelines and compliance regulations, as discussed in the Annual Report, are in place to mitigate any possible and/or suspected irregularities. Nothing has come to the attention of the AC, Board and/or the Management that there is any deficiency in the internal control systems that resulted in significant loss and/or material financial misstatements.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operations and finances; and also an effective risk management and internal control systems (including financial, operational, compliance and information technology controls) has been put in place.

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## Risk Management

The Company is aware that each business transaction carries risk whether internally and/or externally in the form of environmental, operational, financial and/or Management decision making risk. The operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Other risks include legal risk and strategic risk (the risk of loss arising from poor strategic business decisions). The Company's financial risk management and policies are further outlined under heading "Financial Risk Management" in the "Financial Statements" section of this Annual Report.

The Group regularly reviews and improves its business and operations activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

## Principle 12: Audit Committee

***The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties***

As at the date of this report, the Audit Committee (the "AC") of the Company comprises three (3) members, all of whom are Independent Directors, namely:

- Mr. Calvin Lim Huan Kim (*Chairman*);
- Mr. Tan Gim Kang, Arran; and
- Mr. Aris Muhammad Rizal.

The members meet at least four (4) times in a year.

The AC has specific written Terms of Reference setting out their duties and responsibilities. The AC's main principal functions are as follows:

- review the audit plan of the Company's independent auditors and, if any, their report on any recommendations on internal accounting controls arising from the statutory audit;
- review the assistance given by the Company's Management to the independent auditors;
- review the quarterly and the annual statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group;
- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- review the effectiveness of the Group's material internal control systems, including financial, operational, compliance, information technology controls and risk management;
- meet with the independent auditors, other committees, and/or the Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- review the scope and results of the external audit, cost effectiveness and the independence and objectivity of the independent auditors;
- review the nature and extent of non-audit services provided by the independent auditors;

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- recommend to the Board the independent auditors to be nominated, approve the compensation and terms of engagement of the independent auditors;
- report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- review interested person transactions, if any, in accordance with the requirements of the SGX-ST's Listing Manual.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC has full access to and co-operation of the Management, officers, Company Secretary, Directors and relevant external regulator and/or professional parties and has full discretion to invite any Director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC also reviews any arrangement by which staff of the Group, or any other officers, may, in confidence, raise concerns about possible and/or suspected fraud, irregularities, corruption, dishonest practices and/or improprieties in matters of financial reporting or other similar matters. The AC's objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action and improvements, if necessary and required.

In 2006, the Company adopted the Whistle-Blowing Policy provided to the staff with well-defined and accessible channels within the Group to counter and mitigate any possible and/or suspected fraud. Proper written procedures, policies and guideline are in place for making such reports in good faith, with confidence and will be treated fairly and be protected from reprimand. As at the date of this report and to the best of their knowledge and belief, nothing has come to the attention of the AC that may require any follow up and/or action plan.

All subsidiaries are audited by member firms of Moore Stephens International Limited of which Moore Stephens LLP, Singapore is also a member except for PT Rel-ion Sterilization Services, which is audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia, a member firm of PKF International Limited; and Gemisuria Corporation Sdn Bhd, which is audited by KBCF Tan, Malaysia.

In evaluating the degree of reliance to be placed on the financial statements and auditor's reports on the subsidiaries and associate, Moore Stephens LLP, Singapore may perform certain audit procedures where appropriate for purpose of consolidation.

The AC and Board are of the view that these audit firms are adequately resourced, of appropriate standing within the international affiliation, have reviewed and are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company and that the Company is in compliance with Rule 712, 715 and 716 of the Listing Manual of the SGX-ST.

There was no non-audit services provided by the independent auditors to the Group during FY2017. The audit fees paid and/or payable to the independent auditors of the Company for FY2017 amounted to approximately S\$93,000. During the financial year under review, the AC has met with the Company's independent auditors without the presence of the Management.

Throughout FY2017, the Board has assessed and reviewed, together with the assistance of NC, to ensure that the members of the AC are appropriately qualified to discharge their responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Directors, Management and officers to the AC and that the AC has been effectively and efficiently contributed to the Board and the Group. In addition, one (1) of the members of the AC has relevant accounting and related financial management expertise, experience, knowledge related to the business of the Group, as the Board interprets such qualification in its business judgement. The Board has determined that one member with relevant



# CORPORATE GOVERNANCE REPORT

accounting and related financial management expertise, experience, knowledge related to the business of the Group is sufficient based on its current business operation scale. The Board will review the requirement of additional member with relevant accounting and related financial management, expertise, experience, knowledge related to the business of the Group. During the financial year 2017, the AC held four (4) meetings to review and undertake the scope of work as set above. The independent auditors provide regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Based on the Group's latest audited consolidated financial statements for FY2017, assets in the mineral and energy resources sector held by the Group contributed to less than 1% of the Group's total assets (as outlined in the Annual Report under heading Operating Segments). Pursuant to Practice Note 6.3 of the Listing Manual of the SGX-ST, the Company may not be considered principally in the business of exploration or extraction of mineral, oil or gas assets as at 31 December 2017. The Group may consider to acquire mineral and energy resources assets in the future and will continue to comply with all listing rules under the Listing Manual of the SGX-ST that are applicable to mineral, oil and gas companies.

The AC has recommended to the Board of Directors the re-appointment of Messrs Moore Stephens LLP as the independent auditors of the Company. The independent auditors of the Company is in compliance with Rule 712(1) of the Listing Manual of the SGX-ST whereby "*a mineral, oil and gas company must appoint an auditing firm where the auditing firm and audit partner-in-charge have the relevant industry experience*". The Board review the appointment of the independent auditors from time to time and together with its committees will be rigorously reviewing the compliance of Rules of the Listing Manual of the SGX-ST.

## **Principle 13: Internal Audit**

***The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.***

The Board recognises and is responsible for designing, implementing and maintaining internal control systems and processes relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances, to safeguard shareholders' investments and the Group's business and assets.

Currently, the internal audit functions are subsumed under the finance team, with the relevant qualifications and experience, and that it is independent of the activities it audits. The AC has reviewed and is satisfied that the existing systems of internal control systems are adequate, taking into consideration the corporate structure and scope of the Group's operations.

The key element in the Group's internal system is the control which Management exercises over expenditure for investments and capital spending, with the various levels of approvals documented in the authorisation limits granted by the Board.

The AC will review the adequacy of the internal audit function from time to time and will propose an engagement of internal auditor or professional firm to carry out the internal audit function as and when the need arises taking into the consideration of the corporate structure and scope of the Group's operations.

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## (D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

### **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.***

The Company facilitates the exercise of ownership rights by all shareholders. In particular, the shareholders of the Company are sufficiently informed of changes in the Company's business and development that are price sensitive and would be likely to materially affect the price or value of the Company's shares and those information are communicated to the shareholders on a timely basis via the SGXNet.

The Company also ensures that the shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

The shareholders would be informed of the rules, including voting procedures that govern general meetings of shareholders of the Company.

The Board has not declared dividend payments for FY2017 after taken into account various factors including:

- the level of the available cash;
- the projected levels of capital expenditure and other investment plans; and
- the losses for the year and the accumulated losses of the Company for the FY2017.

### **Principle 15: Communication with Shareholders**

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

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. In line with the continuous obligations of the Company pursuant to the Rules of the Listing Manual of the SGX-ST, the Board's policy is that all shareholders should be equally informed of all major developments and the Company will make disclosure publicly to all shareholders as soon as practicable.

The Board provides shareholders with an assessment of the Company's performance, position and prospects via quarterly and annual results announcements and other ad-hoc announcements as required by the Singapore Exchange. The Company does not practise selective disclosure. Price sensitive information is first publicly released through the SGXNet. In addition, The Company has taken steps to solicit and understand the views of the shareholders through the Company website and investor relations firm.

Results and annual reports are announced and/or issued within the mandatory period. All the shareholders of the Company receive the annual report and the notice of the AGM.

### **Principle 16: Conduct of shareholder meetings**

***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.***

Pursuant to the Code, all directors should attend general meetings of shareholders and the chairman of the Board should be present and available to address shareholders' queries at the meeting.

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At the AGM, shareholders are given the opportunity to opine their views and seek clarification on questions regarding the Company. The Directors, Management and the independent auditor are normally available at the AGM to address any relevant queries from the shareholders. At the shareholders' meeting, each distinct issue is proposed as a separate resolution. The Board considers the AGM as the main forum where dialogue with shareholders can be effectively conducted.

Shareholders have the opportunity to participate effectively and to vote in AGMs. They are allowed to vote in person or by appointed proxy. The Constitution of the Company allow members of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at the AGMs. *The Constitution of the Company does not allow a shareholder to vote in absentia.*

During the AGM, the resolutions on separate issues are disclosed separately and not bundled together unless the resolutions are interdependent and linked so as to form one significant proposal and clear explanation and reasons are to be provided together with its material implications.

For greater transparency, the Company adopted poll voting for resolutions and disclosure of detailed voting outcomes for all shareholders' general meeting held on and after 1 August 2015, including the appointment of independent scrutineers to oversee the voting process and enhance their disclosures on voting outcomes. An announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day of the AGM.

The Company adopts the practice of preparation of minutes or notes of AGM, whereby there are substantial comments or queries from the shareholders and response from the Board and Management, and to make these minutes or notes available to shareholders upon their request. In addition, the Company practices transparency during the AGM whereby the Chairmen of the Nominating, Remuneration and Audit Committee and the Company's independent auditors are present and available to address shareholders' questions and concerns about the conduct of the Company and/or audit and the preparation and contents of the Independent Auditor's Report.

## **OTHER GOVERNANCE PRACTICES**

### **Material Contracts**

There is no material contract of the Company and its subsidiaries, including loans, involving the interests of any Director or the controlling shareholders either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year, save as for those as announced via SGXNet and as outlined in the Annual Report under heading "Borrowings" in the "Financial Statements" section of this Annual Report.

### **Interested Person Transactions**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and these interested persons transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The Board and the AC will review all interested person transactions to be entered into to ensure that the relevant rules under Chapter 9 of the Listing Manual are complied with.

Except those as announced via SGXNet and as outlined in the Annual Report under headings "Trade and Other Payables" and "Related Party Transactions" in the "Financial Statements" section of this Annual Report, there is no other interested person transaction for FY2017.

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Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Mr. Siaw Lu Howe	Nil	Nil

## Dealing in Securities

In line with Blumont's Best Practices Guide in Dealing in Securities (the "**Best Practices Guide**") adopted and reviewed from time to time, the Company has in place a code of conduct on share dealings by Officers. This code sets out the statutory restrictions on insider trading as well as the recommendations of the Best Practices Guide on securities transactions. This has been made known to the officers, including the Directors, staff, any relevant body corporate and officers of the Company and the Group, not to deal during the period commencing one (1) month before the announcement of the Company's quarterly results or one (1) month before financial year, as the case may be, and ending on the date of the announcement of the relevant results.

The officers have been informed that to deal in the Company's securities, as well as securities of other listed companies, when they are in possession of information that is not generally available but, if it were, would be likely materially to affect the price of those securities in relation to those securities and relates to any transaction (actual or expected) involving both those bodies corporate or involving one of them and securities of the other are prohibited and is a subject to the law. The Company, while having provided the window periods for dealing in the Company's securities, has its own internal compliance code in providing guidance to its officers with regards to dealing in the Company's securities including reminders that the law on insider trading is applicable at all times. In addition, an officer should also not deal in the Company's securities on short-term considerations.

In the opinion of the AC, to the best of their knowledge and belief, the Company complies with Blumont's Best Practices Guide.