

CORPORATE GOVERNANCE REPORT

The Board of Wong Fong firmly believes that good corporate governance is essential to the long-term sustainability of the Company's businesses, as well as promoting and safeguarding the interest of shareholders ("**Shareholders**") and other stakeholders.

The Group has adopted the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") issued by the Monetary Authority of Singapore on 2 May 2012 and the disclosure guide (the "**Disclosure Guide**") issued by the SGX-ST in the preparation of this report.

The Group has substantially complied with the principles and guidelines of the Code and the Disclosure Guide. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations, where appropriate.

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 the management to achieve this objective and the management remains accountable to the board.

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Every Director has a duty to act in good faith and exercise independent judgement in the best interests of the Company. The Directors are aware of their responsibilities to all stakeholders of the Company.

The roles taken by the Board include:

- guiding the formulation of the strategic direction and objectives of the Group as well as operational initiatives;
- overseeing and setting the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and ensuring that the processes are adequate and effective;
- reviewing financial plans, major acquisitions and divestments, funding and investment proposals;
- monitoring the performance of the management;
- setting the Company's values and standards (including ethical standards);
- assuming responsibility for corporate governance; and
- considering environmental and social factors.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and makes objective decisions in the best interest of the Company.

To assist the Board in the discharge of its responsibilities, various Board Committees, namely the Audit Committee ("**AC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**") have been constituted with clearly written terms of reference.

Each Board Committee plays an important role in ensuring sound corporate governance in the Group. Minutes of Board Committee meetings are available to all Board members and kept updated as to the proceedings and matters discussed during such meetings.

The Board meets regularly and as warranted by circumstances. The schedule of all the Board and Board Committee meetings as well as the AGM are planned in advance to allow Directors to plan ahead to attend such meetings, so as to maximise participation. During the Board meetings, the Directors actively participate and discuss matters requiring their attention and decisions. The Board also meets informally as and when needed to discuss business matters requiring their attention.

The Company's constitution ("**Constitution**") provides for Directors to conduct meetings by telephone, video conference or other methods of simultaneous communication.

CORPORATE GOVERNANCE REPORT

For FY2017, the number of Board and Board Committee meetings held and the attendance of Directors at these meetings, are disclosed as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	2	2	2	2
Number of meetings attended:				
Jimmy Lew	2	2*	2*	2*
James Liew	2	2*	2*	2*
Liew Chern Yean	2	2*	2*	2*
Eric Lew	2	2*	2*	2*
Pao Kiew Tee	2	2	2	2
Lee Yong Soon	2	2	2	2
Tan Soon Liang	2	2	2	2
John Cordova	1	1	1	1

* Attendance by invitation of the committee

The Company has established guidelines governing matters that require the Board's approval. The Board approves transactions based on the delegation of authority matrix which provides clear direction to the management on matters requiring the Board's specific approval, including:

- material acquisition and disposal of assets/investments;
- annual budget and business plan of the Group;
- capital expenditure, investment or divestment exceeding S\$1.0 million;
- material financial/funding arrangements;
- issuance of shares; and
- declaration of dividends.

The delegation of authority is reviewed on a regular basis and revised accordingly when necessary.

A formal letter of appointment is sent to the newly appointed Directors explaining clearly their duties and responsibilities as Directors. All newly appointed Directors are given appropriate orientation and briefings by the management on the business activities of the Group. Upon appointment, the Company conducts a comprehensive orientation programme to familiarise the new Director with his roles and responsibilities as well as the business of the Group. Such orientation programmes include relevant training for newly appointed Director who does not have any experience of being a director of a listed company in Singapore, site visits to the main operating premises of the Group and meetings with key management.

The Directors are kept continually and regularly updated on the Group's businesses, new laws and regulations and industry-specific environments in which the entities of the Group operate in, through in-house training or external courses. In FY2017, some Directors attended talks on topics relating to corporate governance and sustainability reporting organised by the SGX-ST. Site visits to CE Asia Heavy Machinery Sdn Bhd in Malaysia and office of the newly acquired subsidiary, Ascendo, were also organised for Directors to familiarise them with the operations of the existing and new businesses, so as to furnish them with sufficient relevant knowledge and information for decision-making and enhancing their performance as Board members.

CORPORATE GOVERNANCE REPORT

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 the management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

The Board consists of 8 Directors, 4 of whom are Independent Directors and is constituted as follows:

Jimmy Lew (Executive Chairman)
James Liew (Deputy Chairman and Managing Director)
Liew Chern Yean (Executive Director)
Eric Lew (Executive Director)
Pao Kiew Tee (Lead Independent Director)
Lee Yong Soon (Independent Director)
Tan Soon Liang (Independent Director)
John Cordova (Independent Director)

As the Chairman of the Board is part of the management team, the Independent Directors make up half the Board which complies with the relevant guidelines of the Code. As such, the NC believes that there is a strong and independent element on the Board and no individual or small group of individuals dominate the Board's decision-making.

Each Independent Director is required to complete a Director's independence checklist annually to ensure their independence based on the guidelines as set out in the Code. The NC will be responsible for determining on an annual basis, and as and when circumstances require, whether or not a Director is independent as set out in the Code, considering whether a Director has any existing business or professional relationship of a material nature with the Group, other Directors and/or substantial Shareholders.

The NC has assessed the independence of the Independent Directors and noted that none of them has any relationships with the Company, its related corporations, the other Directors, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of the Company. None of the Independent Directors is a director of the Company's subsidiaries.

None of the Independent Directors have served on the Board for more than 9 years from the date of their first appointment.

The NC is responsible for the annual review on the size and composition of the Board and the Board Committees. The NC endeavours to include in the Board, members of diverse backgrounds, mix of skills, industry experience, core competencies and knowledge of the Group.

Having considered the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from the changes to the composition of the Board and the Board Committees, the Board believes that the current composition and size of the Board and the Board Committees is appropriate to ensure the effectiveness of the decision-making process.

The NC has conducted its review of the Board and the Board Committees on the appropriate balance and diversity of skills, experience and knowledge of the Group and was satisfied that all the Directors possess the relevant core competencies in areas such as accounting and finance, legal, business and management experience, industry knowledge, strategic planning and customer-based experience.

The Independent Directors also actively participate in setting strategies and goals for the Company and regularly review the performance of the management in meeting agreed goals and objectives and monitor the reporting of performance. In addition, the Independent Directors meet regularly and on a need-basis without the presence of the management to discuss matters such as corporate governance initiatives, board processes, succession planning and leadership development, performance management and the remuneration of the Executive Directors.

CORPORATE GOVERNANCE REPORT

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.

The Company has a separate Chairman and Managing Director. Mr Jimmy Lew is the Executive Chairman and Mr James Liew is the Deputy Chairman and Managing Director. Mr Jimmy Lew and Mr James Liew are siblings and are part of the management team. The roles of the Executive Chairman and the Managing Director are separate and distinct with their own areas of responsibilities.

The Executive Chairman, Mr Jimmy Lew, plays a principal role in managing and providing leadership to the Board. In addition to overseeing the overall business development of the Group and formulating the Group's strategic directions and expansion plans, he ensures liaison between the management and the Board and also ensures that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements.

The Managing Director, Mr James Liew, oversees the Group's general operations, including human resources, management and general administration, as well as strategic planning for the Group's business expansion.

Given that the Chairman of the Board, Mr Jimmy Lew and the Managing Director, Mr James Liew are siblings, the Board has appointed Mr Pao Kiew Tee as the Lead Independent Director and is available to Shareholders where they have concerns and for which contact through the normal channels of the Chairman or the Group Finance Director has failed to resolve or is inappropriate. The Lead Independent Director also assures the effectiveness of corporate governance in managing the affairs of the Company.

The Board is of the view that given the current composition of the Board, there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on shared agreement without any individual exercising any significant power or influence.

The Independent Directors led by the Lead Independent Director, meet periodically without the presence of the Executive Directors, and the Lead Independent Director provides feedback to the Executive Chairman after such meetings.

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

The NC comprises the Independent Directors, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr John Cordova. The Chairman of the NC is Mr Tan Soon Liang. The quorum shall be any 3 members, including the Chairman of the NC. Any decision by the NC shall be by majority present and voting and the Chairman of the NC shall have the casting vote in the event of an equality of votes.

The key terms of reference of the NC include the following:

- reviewing and recommending the appointment of new Directors and executive officers and re-nomination of the Directors having regard to their contribution, performance and ability to commit sufficient time, resources and attention to the affairs of the Group, and each Director's respective commitments outside the Group including his principal occupation and board representations on other companies, if any. The NC will conduct such reviews at least once a year, or more frequently as it deems fit;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a director of the Company;
- developing a process for evaluating the performance of the Board as a whole and the Board Committees, and for assessing the contribution of each Director to the effectiveness of the Board;
- reviewing the Directors' mix of skills, experience, core competencies and knowledge of the Group that the Board requires to function competently and efficiently;

CORPORATE GOVERNANCE REPORT

- reviewing the training and professional development programs for the Board; and
- reviewing and approving any new employment of persons related to the Directors or substantial Shareholders and the proposed terms of their employment.

The key responsibilities of the NC also include the review of Board structure and composition, identifying and recommending suitable candidates to the Board, making recommendations to the Board on matters relating to appointment or re-appointment of Directors, succession planning for Directors and leadership development plans.

Currently, the Company does not engage the services of professional search firms to identify candidates for Board appointments. However, 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 specialization.

The NC, in consultation with the management and the Board as appropriate, determines the qualification, skill set, competence and expertise required or expected of a new Board member taking into account the size, structure, composition and progressive renewal of the Board.

Recommendations from the Board members, business associates, advisors, professional bodies and other industry players are reviewed by the NC. The NC will review the curriculum vitae and other particulars/information of the nominee or candidate. 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 process. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other principal commitments, and if he is independent. The evaluation process will involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches will also be conducted.

Recommendations of the NC are then put to the Board for consideration. The Board will review the recommendations and approve the appointment as appropriate. Any appointments to the Board Committees would be reviewed and approved at the same time. The appointments would be formalized by a Board resolution and the requisite announcement made on SGXNET.

The Constitution provides for the retirement and re-election of Directors at every AGM. At each AGM, at least one-third of the Board shall retire from office by rotation, provided that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every 3 years. In deciding whether to recommend to the Board the re-election of a Director, the NC considers the contribution of the Director, including attendance and participation at the Board and Board Committee meetings and the time and effort accorded to the Group's business and affairs. For newly appointed Director, he will hold the office until the next AGM and shall be eligible for re-election. If the Board endorses the NC's recommendations on the re-election of Directors, the relevant Directors will stand for re-election at the forthcoming AGM. Each member of the NC shall abstain from voting on any resolutions in respect of his re-nomination and re-election.

The NC has reviewed and recommended the re-election of Mr Liew Chern Yean, Mr Lew Chern Yong and Mr Artawat Udompholkul under Regulation 114 of the Constitution who will be retiring as Directors at the forthcoming AGM. Mr Artawat Udompholkul has expressed his intention to step down after the conclusion of the AGM whereas Mr Liew Chern Yean and Mr Lew Chern Yong have offered themselves for re-election and the Board has accepted the recommendations of the NC.

The NC considers whether each Director is able to and has been adequately carrying out his duties as a Director, taking into consideration, *inter alia*, the Director's number of public listed company board representations and other principal commitments, each Director's contributions and any other relevant time commitments.

The Directors have demonstrated that they are able to devote sufficient time and attention to the matters of the Group with their attendance at all the Board and Board Committee meetings. They have also availed themselves to the management as and when required. The NC, having considered the multiple board seats held by the Directors, their principal time commitments, their attendance at the Board and Board Committee meetings, is satisfied that the Directors have been able to devote sufficient time and resources to the matters of the Group and as such, the Board deemed that it is not necessary to set a limit on the number of listed board representations that any Director may hold.

None of the Directors had appointed an alternate director in FY2017.

Key information regarding the Directors is set out on pages 13 to 15 in this Annual Report.

CORPORATE GOVERNANCE REPORT

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.

The Board has implemented a process to be carried out by the NC for the evaluation of the effectiveness of the Board annually. The NC is tasked with proposing objective performance criteria, subject to approval of the Board, for assessing how the Board and the Board Committees have enhanced long-term Shareholders' value. The NC may also engage an external facilitator for the evaluation process. For FY2017, the NC has not engaged any external facilitator for the evaluation process.

During each financial year, all Directors will complete a Board Evaluation Form and to ensure confidentiality, the forms will be submitted to the Company Secretary directly for collation and the consolidated responses were presented to the NC for review and discussion. The NC will then report to the Board on the review of the Board's performance for the year. The Board Evaluation Form takes into consideration factors such as Board size and composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/senior management and standard code of conduct of the Board members. For FY2017, the NC has reviewed the performance and effectiveness of the Board as a whole and is of the view that performance and effectiveness of the Board had been satisfactory and the Board had met its performance objectives.

The NC is of the view that at present, an evaluation of the effectiveness of the Board would suffice and would implement a process for the evaluation of individual Director at an appropriate time in future. Notwithstanding that, in the evaluation of the effectiveness of the Board, the NC has considered factors relating to individual Directors such as:

- the principal occupation and commitments of the Directors, including the number of listed company board representations that each of them has;
- the attendance at board meetings of listed companies that each of the Directors serves as director;
- the confirmations by the Directors that they are able to devote sufficient time and attention to the matters of the Group; and
- the professional experience and expertise of the Directors.

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.

The management is cognizant of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. Prior to any meetings, Board and Board Committees papers are disseminated to the Directors to allow them sufficient time to prepare for the items to be discussed during the meetings.

The Directors are updated regularly on the Group's developments, business, financial performance and prospects during formal and informal meetings. The management provides the Board half-yearly financial statements, annual budgets and explanations on any material variance between the projections and actual results. Apart from the regular scheduled Board and Board Committee meetings, the Directors may meet to deliberate on matters relating to strategic developments and material transactions such as acquisitions or joint ventures. For such meetings, the management will ensure that information such as background or explanatory materials relating to matters to be discussed, financial analysis and recommendations of the management are provided to the Directors in advance. The Directors have separate and independent access to the management and may request for clarifications and additional information where required. The Directors may, either individually or as a group, in the furtherance of their duties, take independent professional advice at the Company's expense.

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company Secretary attends all Board and Board Committee meetings, prepares meeting agendas and minutes of meetings and advises the Board on governance matters and facilitates the induction and professional development of the Directors.

CORPORATE GOVERNANCE REPORT

The Company Secretary also plays an essential role in the relationship between the Company and the Directors, including assisting the Board in discharging its obligations to Shareholders.

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

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.

The RC comprises the Independent Directors, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr John Cordova. The Chairman of the RC is Mr Lee Yong Soon.

The RC is guided by its written terms of reference, which clearly spells out its authority and duties. The key terms of reference of the RC includes recommending to the Board a framework of remuneration for the Directors and the executive officers, and determining specific remuneration packages for the Executive Directors and key management personnel. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by the RC. The RC reviews the Company's obligation arising in the event of termination of the Executive Directors and the executive officers' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC is also responsible for the administration of the Wong Fong Performance Share Plan.

The RC will also perform an annual review of the remuneration of employees related to the Directors and/or substantial Shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package or that of any employee related to him.

The RC may seek expert advice inside and/or outside the Company on remuneration of all Directors where necessary. During FY2017, the RC did not engage the service of an external remuneration consultant.

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.

The RC will perform an annual review on the remuneration packages of the Executive Directors and key management personnel. The Company's remuneration structure for the Executive Directors and key management personnel comprises both fixed and variable components so as to motivate high-performing executives to drive the Group's efficiency and profitability. The variable component for the key management personnel is a discretionary bonus which is linked to the performance of the Group as a whole and their individual performance.

The Company has entered into separate service agreements with the Executive Directors for an initial period of 2 years from the date of the respective service agreement (unless otherwise terminated by either party giving not less than 6 months' notice (or such shorter period as may be mutually agreed between the parties) to the other). The Company may also at any time forthwith terminate the respective service agreements of the Executive Directors if he, *inter alia*, shall be guilty of any dishonesty, gross misconduct or wilful neglect of duty or shall commit any continued material breach of the provisions of his respective service agreement, becomes bankrupt or persistently refuses to carry out any reasonable lawful order given to him in the course of his employment or persistently fails diligently to attend to his duties hereunder. Under the terms of the service agreements, the Executive Directors do not receive directors' fees but receive a monthly basic salary and are entitled to an annual performance bonus in respect of each financial year, which is calculated based on the consolidated net profit before tax ("**Performance Bonus**"). In addition, the Executive Directors are also entitled to an annual year-end bonus based on their individual performance. The Company shall be entitled to recover from the Executive Directors the relevant portion of the Performance Bonus and any sum paid under the service agreement in the event that there is a restatement of the financial statements made to reflect the correction of a misstatement due to error or fraud during the financial year, or misconduct of the Executive Director resulting in financial loss to the Company.

CORPORATE GOVERNANCE REPORT

Each Independent Director receives a director's fee which takes into account factors such as effort and time spent and scope of responsibilities. The fees for Independent Directors are subject to Shareholders' approval at the AGM.

The Company has implemented the Wong Fong Performance Share Plan which will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Wong Fong Performance Share Plan allows for participation by the employees of the Group and the Non-Executive Directors. Controlling Shareholders or their associates who meet the above eligibility criteria are eligible to participate in the Wong Fong Performance Share Plan provided that (a) the participation of, and (b) the terms of each grant and the actual number of awards granted under the Wong Fong Performance Share Plan to controlling Shareholders or an associate of a controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person. The Wong Fong Performance Share Plan is administered by the RC. Please refer to the Company's offer document dated 19 July 2016 for further details on the Wong Fong Performance Share Plan.

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.

The remuneration (including salary, bonuses, contribution to Central Provident Fund ("CPF"), allowances and benefits-in-kind) of each of the Executive Directors and key management personnel is linked to the financial performance of the Group and the individual's performance so as to promote long-term sustainability of the Group.

The short-term incentive scheme includes salary, variable performance bonus and variable year-end bonus shall be subject to annual review by the RC and to be approved by the Board. The long-term incentive scheme would be the Wong Fong Performance Share Plan. If the Executive Director is a member of the RC and/or the Board, he shall not participate in the deliberation or vote on any matter in which he is interested.

Performance conditions such as the financial performance of the Group, leadership skills and teamwork which may from time to time be determined by the Board are used to determine the Executive Directors and the key management personnel's entitlement under the short-term and long-term incentive schemes.

For FY2017, the RC is of the view that the performance conditions were met by each of the Executive Directors and the key management personnel.

Remuneration of Directors

The breakdown of the total remuneration of the Directors for FY2017 is set out below:

	Directors' fees ⁽¹⁾	Salary ⁽²⁾	Bonus	Other benefits	Total remuneration
Above S\$500,000 and up to S\$750,000					
Jimmy Lew	–	72%	6%	22%	100%
Above S\$250,000 and up to S\$500,000					
James Liew	–	88%	7%	5%	100%
S\$250,000 and below					
Liew Chern Yean	–	91%	7%	2%	100%
Eric Lew	–	87%	6%	7%	100%
Pao Kiew Tee	100%	–	–	–	100%
Lee Yong Soon	100%	–	–	–	100%
Tan Soon Liang	100%	–	–	–	100%
John Cordova	100%	–	–	–	100%

Notes:

(1) The Directors' fees are subject to Shareholders' approval at the AGM.

(2) The salary and bonus amount is inclusive of CPF contributions and allowance.

No compensation was paid or is to be paid in the form of share awards to any of the Directors in FY2017.

CORPORATE GOVERNANCE REPORT

Remuneration of key management personnel

The breakdown of the total remuneration of the key management personnel of the Group (who are not Directors or the CEO) for FY2017 is set out below:

	Salary ⁽¹⁾	Bonus	Other benefits	Total remuneration
S\$250,000 and below				
Jack Wong	79%	15%	6%	100%
Chia Kah Lam	71%	26%	3%	100%
Lew Siew Choo	84%	16%	0%	100%
Albert Lee	82%	16%	2%	100%

Note:

(1) The salary amount is inclusive of CPF contributions and allowance.

No compensation was paid or is to be paid in the form of share awards to any of the key management personnel of the Group in FY2017.

The aggregate remuneration paid to the key management personnel of the Group in FY2017 was approximately S\$628,000.

Remuneration of employees who are immediate family members of a Director or the CEO

The breakdown of the total remuneration of employees who are immediate family members of a Director or the CEO and whose remuneration exceed S\$50,000 in FY2017 is set out below:

	Remuneration for FY2017
Jean Liew ⁽¹⁾	Between S\$100,001 and S\$150,000
Liu Shanni ⁽²⁾	Between S\$100,001 and S\$150,000
Liu Weilong ⁽²⁾	Between S\$50,001 and S\$100,000
Ng Chin Yee ⁽³⁾	Between S\$50,001 and S\$100,000

Notes:

(1) Ms Jean Liew is the sister of Mr Jimmy Lew, Executive Chairman and Mr James Liew, Deputy Chairman and Managing Director.

(2) Mr Liu Shanni and Mr Liu Weilong is the child of Mr James Liew, Deputy Chairman and Managing Director.

(3) Mr Ng Chin Yee is the father-in-law of Mr Eric Lew, Executive Director.

No compensation was paid or is to be paid in the form of share awards to employees who are immediate family members of a Director or the CEO in FY2017.

In considering the disclosure of remuneration of the Directors and the key management personnel of the Group, the Board has regarded the sensitive nature of such information in a small and medium sized enterprise environment. The Board believes that full detailed disclosure of the remuneration of each Director as recommended by the Code would be prejudicial to the Group's interest. The Board has instead presented such information in remuneration bands.

CORPORATE GOVERNANCE REPORT

The Board is of the opinion that the disclosure in bands of S\$250,000 would provide sufficient information on the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

Since the inception of the Wong Fong Performance Share Plan, no awards have been granted to eligible participants.

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects including interim and other price sensitive public reports, and reports to regulators (if required).

The management provides the Board with the Group's financial information periodically and updates the Board on key business issues to enable the Board to make a balanced and informed assessment of the Group's financial performance, position and prospects.

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards. The Board reviews and approves the half-yearly and full year results as well as any announcements before releasing them on SGXNET. In the announcement of financial results, the Board provides detailed analysis of the Group's financial performance, position and cash flow as well as a commentary on the Group's prospects. Other price-sensitive information are also disseminated to Shareholders through announcements via SGXNET, press releases and the Company's website.

The Board reviews and take adequate steps to ensure compliance with legislative and regulatory requirements under the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"). For the half-yearly announcement of financial results, the Board provides a negative assurance statement to Shareholders, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Principle 11: The board is responsible for the governance of risk. The board should ensure that the 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.

The Board is responsible for the governance of risks and oversees the management in the design, implementation and monitoring of risk management and internal control systems to safeguard Shareholders' interest and the Group's assets. The Board is cognizant that no cost-effective risk management and internal controls system will preclude all errors and irregularities. The risk management policies and internal control systems are designed to manage identifiable risks and limit the Group's exposure to risk of errors and irregularities and can only provide reasonable mitigation and not absolute assurance against material misstatement or loss.

The management is responsible for the design and implementation of internal control systems addressing financial, operational, compliance and information technology risks. The review of the adequacy and effectiveness of such risk management and internal controls systems is under the purview of the AC. The AC carries out the review at least annually with the assistance of the external auditors, Deloitte and Touche LLP (the "**External Auditors**") and internal auditors, KPMG Services Pte. Ltd. (the "**Internal Auditors**"). The AC reviews the audit plans and the findings of the External Auditors and the Internal Auditors and ensures measures are implemented to address those issues and internal controls weaknesses highlighted by the External and the Internal Auditors.

Based on the internal control policies and procedures established and maintained by the Group, work performed by the External Auditors and the Internal Auditors and reviews performed by the Board, the AC and the management, the Board, with the concurrence of the AC, is of the view that for FY2017, the internal controls of the Group addressing financial, operational, compliance and information technology risks and risk management systems are adequate and effective.

CORPORATE GOVERNANCE REPORT

The Board and the AC have also received assurances from the Deputy Chairman and Managing Director and the Group Finance Director that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems are adequate and effective in addressing financial, operational, compliance and information technology risks.

In addition, the Board reviews and determines the Group's level of risk tolerance and risk policies, and monitoring of the risk management and internal control systems.

The Board did not establish a separate Board risk committee as the Board is currently assisted by the AC, the Internal Auditors and the External Auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the Independent Directors, Mr Pao Kiew Tee, Mr Lee Yong Soon, Mr Tan Soon Liang and Mr John Cordova. The Chairman of the AC is Mr Pao Kiew Tee. The quorum shall be any 3 members, including the Chairman of the AC.

Mr Pao Kiew Tee was formerly a senior government auditor holding the position of senior group director prior to his retirement in June 2016, while Mr Lee Yong Soon was formerly the financial controller of Keppel FELS Limited prior to his retirement in 2014. In addition, Mr Pao Kiew Tee is a fellow of the Institute of Singapore Chartered Accountants while Mr Lee Yong Soon is a fellow of the Association of International Accountants of the United Kingdom.

The members of the AC are appropriately qualified and possess the relevant accounting or related financial management expertise or experience to discharge their duties. No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

The key terms of reference of the AC includes:

- reviewing with the Internal Auditors and the External Auditors, the audit plans, scope of work, their evaluation of the Group's system of internal controls, audit reports, their letter(s) to the management and the management's responses and the results of the audits compiled by the Internal Auditors and the External Auditors, and will review at regular intervals with the management the implementation by the Group of the internal controls recommendations made by the Internal Auditors and the External Auditors;
- reviewing the periodic consolidated financial statements of the Group and results announcements focusing on, in particular, changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Catalist Rules and any other relevant statutory or regulatory requirements, concerns and issues arising from audits including any matters which the External Auditors may wish to discuss in the absence of the management, where necessary, before submission to the Board for approval;
- reviewing and reporting to the Board, at least annually, the effectiveness and adequacy of the Group's risk management systems and internal control procedures addressing financial, operational, compliance and information technology risks and discuss issues and concerns, if any, arising from the internal audits;
- reviewing the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET; and
- reviewing the independence and objectivity of the Internal Auditors and the External Auditors as well as considering their appointment or re-appointment, remuneration and terms of engagement.

In addition, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's results of operations and/or financial position.

CORPORATE GOVERNANCE REPORT

The AC meets with the External Auditors and the Internal Auditors separately, at least once a year, without the presence of the management to review any matter that might be raised.

A breakdown of the fees paid to the External Auditors and others auditors of the Group for audit and non-audit services for FY2017 is as follows:

	S\$'000	% of total fees
Audit services	151	71
Non-audit services (mainly as tax consultants)	61	29
Total fees	212	100

Please refer to page 99 of this Annual Report for breakdown of the audit and non-audit fees.

Having undertaken a review of the non-audit services provided during the year, the AC is of the view that the non-audit services provided by the External Auditors would not impair their objectivity and independence as External Auditors. The Company confirms that it complies with Rules 712 and 715 of the Catalist Rules on the appointment of auditing firms for the Company, subsidiaries and significant associated companies. The External Auditors are registered with the Accounting and Corporate Regulatory Authority of Singapore.

The Company has established a whistle-blowing framework (“**Whistle Blowing Policy**”), which provides mechanisms by which concerns about plausible improprieties in matters of financial reporting and others may be raised and ensures that arrangements are in place for the independent investigations of such matters and for appropriate follow-up. Details of the Whistle Blowing Policy and arrangements have been made available to all employees of the Group and a dedicated email has been set up to allow whistle blowers to contact the AC directly.

The policy aims to ensure that appropriate reporting and communication channels are available for employees and external parties to raise concerns about possible improprieties and also offer reassurance that they will be protected from reprisals or harassment for whistle-blowing in good faith. There were no reported incidents pertaining to whistle-blowing for FY2017.

The AC is kept abreast by the management, the External Auditors and the Internal Auditors on changes to financial reporting standards, the Catalist Rules and other rules, laws and regulations which could have an impact on the Group’s business and financial statements.

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

The AC oversees the Group’s internal controls and risk management and approves the hiring, removal, evaluation and compensation of the Internal Auditors. The AC also reviews the adequacy and effectiveness of the internal audit function at least annually. The Company has outsourced its internal audit function to KPMG Services Pte. Ltd.

The internal audit plans are reviewed and approved by the AC and the Board and the Internal Auditors plan its schedule in consultation with the management. The Internal Auditors have unrestricted access to all the Company’s documents, records, properties and personnel, including access to the AC.

The Internal Auditors report their findings to the AC and the Board. The management is responsible for ensuring that appropriate measures are implemented to address the internal control weaknesses highlighted by the Internal Auditors.

Based on the scope of work performed by the Internal Auditors for FY2017, there were no material weaknesses identified.

The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The Internal Auditors are a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The internal audit is guided by the Internal Auditors’ methodology which is aligned

CORPORATE GOVERNANCE REPORT

to the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

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

The Company believes in providing Shareholders with sufficient information in relation to the Company or its business which would be likely to materially affect the price or value of the Company's shares, in a timely and consistent manner. The Company does not practice selective disclosure. The Board ensures that all material information including press releases are disclosed via SGXNET.

All Shareholders are informed of general meetings through notices contained in annual reports or circulars sent to them. Shareholders will be given the opportunity to participate effectively in and vote at the general meetings. The voting procedures are clearly explained to Shareholders at the general meetings of the Company before the resolutions are put to vote.

The Constitution allows a member of the Company to appoint up to 2 proxies to attend and to vote in place of the member. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than 2 proxies to attend and vote on their behalf at general meetings.

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.

The Company commits itself to disclose and convey pertinent information to all stakeholders. An investor relations contact is available on the Company's website which stakeholders can use to raise their concerns about possible violation of their rights. All material information is communicated to Shareholders on a timely basis and the Company disseminates all announcements and press releases via SGXNET and the Company's website at www.wongfongindustries.com.

The Group's financial results and annual reports are announced or issued within the period specified under the Catalyst Rules, and are also made available to the public via the Company's website. The website is also updated regularly and contains various other investor-related information on the Company which serves as an important resource for investors.

General meetings are the principal forum for dialogue with Shareholders and Shareholders are encouraged to participate in such meetings. During these meetings, Shareholders are able to engage with the Board and the management in discussions on the Group's business activities, financial performance and other business-related matters. As and when necessary, the Executive Directors and the Group Finance Director will meet analysts and fund managers who wish to seek a better understanding of the Group's business and operations. This also enables the Company to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Company on investors' views.

The Group Finance Director, Jack Wong, is in-charge of investor relations and he will manage communications with stakeholders to ensure that their queries and concerns are promptly addressed by the relevant management personnel.

The Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors such as the level of cash and accumulated profits, actual and projected financial performance, projected levels of capital requirements and general financing condition, restrictions on payment of dividends imposed on the Group by its financing arrangements (if any), general economic and business conditions in countries the Group operates and other relevant factors as the Board may deem appropriate. The Board has recommended a first and final tax exempt (one-tier) dividend of 0.36 Singapore cents per ordinary share for FY2017 for approval by Shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

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.

Shareholders are informed of Shareholders' meetings in advance through notices published in newspapers, circulars and annual reports sent to them. Shareholders are encouraged to attend the general meetings to stay informed of the Group's strategies and developments.

Separate resolutions are proposed for substantially separate issues at general meetings for approval. "Bundling" of resolutions are done only where the resolutions are interdependent and linked so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are to be voted by electronic poll, following which the detailed results showing, *inter alia*, the number of votes cast for and against each resolution and the respective percentages will be announced after the general meeting.

The Chairman and the chairpersons of the AC, the NC and the RC will be available at all general meetings to address Shareholders' queries. The External Auditors will also be present to assist the Directors in addressing Shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The minutes of general meetings, which include all queries from Shareholders and responses from the Board and the management, are available to Shareholders upon written request.

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code on dealings in the Company's securities, pursuant to Rule 1204(19) of the Catalist Rules, which all Directors and officers of the Group have been notified of. The Company, the Directors and the officers of the Group are prohibited from dealing in the Company's securities during the period commencing 1 month before the announcement of its half year and full year financial results.

All Directors and officers of the Group are expected to observe insider trading laws at all times. In particular, they are aware that dealing in the Company's securities, when they are in possession of unpublished material price sensitive information in relation to those securities, is an offence. The Directors and officers of the Group are also discouraged from dealing in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transaction with an interested party within the definition set out in Chapter 9 of the Catalist Rules and has in place procedures for review and approval of all interested person transactions. In the event that a potential conflict of interest arises, the Director concerned will not participate in discussions, abstains from decision-making, and refrains from exercising any influence over other members of the Board. The Group does not have a general mandate for interested person transactions. There were no interested person transactions of S\$100,000 or more in FY2017.

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and the transactions will not be prejudicial to the interest of the Group and its minority Shareholders. To ensure compliance with Chapter 9 of the Catalist Rules, the Board and the AC review, on a half-yearly basis, interested person transactions entered into by the Group (if any).

MATERIAL CONTRACTS

Save for the service agreements between the Company and the Executive Directors, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO, any Director or controlling Shareholder which is either subsisting at the end of FY2017 or, if not then subsisting, entered into since the end of FY2016.

CORPORATE GOVERNANCE REPORT

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, United Overseas Bank Limited, in FY2017.

USE OF PROCEEDS FROM THE IPO

The Company received net proceeds from the IPO of S\$8.3 million (the "Net Proceeds"). As at the date of this Annual Report, the Net Proceeds have been utilised as follows:

Purpose	Allocation of Net Proceeds (as disclosed in the offer document) S\$'000	Net Proceeds utilised as at the date of this Annual Report S\$'000	Balance of Net Proceeds as at the date of this Annual Report S\$'000
Expansion and diversification of our operations and product offerings through, <i>inter alia</i> , investments, mergers and acquisitions, joint ventures and/or strategic collaborations	2,500	(1,600)	900
Enhancement of service and production facilities	2,000	(2,000)	–
Developing new products and services	1,000	(1,000)	–
Working capital and general corporate purposes ⁽¹⁾	2,800	(2,800)	–
	8,300	(7,400)	900

Note:

(1) Mainly comprise equipment purchase for fulfilment of project delivery.

The use of the Net Proceeds was in accordance with the purposes and the proportional allocation as stated in the offer document.