

# CORPORATE GOVERNANCE

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Far East Orchard Limited (the “**Company**”) is firmly committed to maintaining a high standard of corporate governance and promoting corporate transparency, accountability and integrity to enhance long-term shareholders’ value, while taking into account the interests of its other stakeholders.

In the financial year ended 31 December 2019 (“**FY2019**”), the Company received the Gold Award for Best Investor Relations, and the Silver Award for 2019 Best Managed Board, and the Company’s Group Chief Executive Officer (“**Group CEO**”) during FY2019 (Mr Lui Chong Chee, who retired at the end of FY2019) also received the Best CEO Award. All awards were in the category of companies with market capitalisation of S\$300 million to less than S\$1 billion as at 31 December 2018 and conferred at the Singapore Corporate Awards 2019 co-organised by the Singapore Institute of Directors (“**SID**”), the Institute of Singapore Chartered Accountants and the Business Times.

In FY2019, the Company also made its debut on the SGX Fast Track programme. This programme was launched by Singapore Exchange Regulation (“**SGX RegCo**”) in April 2018 to recognise the efforts and achievements of listed issuers which have upheld high corporate governance standards and maintained a good compliance track record. The Company will be a constituent of the SGX Fast Track programme until the next review cycle in 2021, and will receive prioritised clearance for all submissions of corporate actions to SGX RegCo, including circulars, requests for waiver and applications for share placement.

This report describes the corporate governance practices and policies of the Company and its subsidiaries (the “**Group**”) during FY2019 with reference to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”), the Mainboard Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Rules**”), the Companies Act (Cap. 50) of Singapore (“**Companies Act**”), the Securities and Futures Act (Cap. 289) of Singapore (“**Securities and Futures Act**”), the voluntary Practice Guidance 2018 and where applicable the guidelines of the 2012 Code.

The Company has complied with all the principles in the Code. It has also in all material respects, complied with the provisions in the Code. Where there are any variations from the provisions, the Company has provided explanations on how its practices are consistent with the aim and philosophy of the principle in question.

## **BOARD MATTERS**

### **The Board’s Conduct of Its Affairs**

**Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

#### ***Principal Duties of the Board***

The Board, as fiduciaries acting in the Company’s interests, is collectively responsible for the Group’s long-term success. In addition to its statutory duties, the Board’s principal functions are to:

- a. create value for shareholders and to ensure the long-term success of the Group.
- b. oversee the effectiveness of Management, provide leadership, review the Group’s corporate strategies and direction, and ensure that the necessary financial and human resources are adequate to achieve the Group’s goals.
- c. review and approve the annual budget of the Group.
- d. ensure that there is a risk management framework and a sound system of internal controls to safeguard shareholders’ interests and the Group’s assets.
- e. review the business performance of the Group and approve the release of the quarterly and year-end results announcements.
- f. endorse the framework of remuneration for the Board and key management personnel (being the Group CEO, the Chief Executive Officer of Far East Hospitality, the Chief Financial Officer of the Company (“**CFO**”) and any other persons having authority and responsibility for planning, directing and controlling the activities of the Group).
- g. identify the key stakeholder groups and recognise that their perceptions affect the Group’s reputation.
- h. set the Company’s values and standards and ensure that obligations to shareholders and other stakeholders are understood and met.
- i. oversee the sustainability reporting and practices of the Group.

***Independent Judgement and Proper Accountability***

The Board and Management are guided by a corporate governance policies manual ("**CG Policy Manual**"), which encapsulates the terms of reference for the Board and each Board Committee. For alignment with the 2018 Code, the CG Policy Manual and terms of reference for the Board and each Board Committee were reviewed by Management, each relevant Board Committee and the Board in FY2019, and an updated CG Policy Manual with updated terms of references was approved and adopted. The Group's employees are also guided by its Code of Conduct and Employee Handbook which are published on the intranet and which prescribes the standards of ethical behaviour.

The CG Policy Manual directs the Board and Management to adhere to the approved policies and schemes, including the Board Diversity Policy, the Dividend Policy and Scrip Dividend Scheme, the Investor Relations Policy, the Security Trading Policy and Whistle-blowing Policy. It comprehensively addresses declaration and disclosure obligations, covering areas such as independence, listed company directorships and principal commitments, declaration of any relatives in managerial positions and conflicts of interest.

To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring (i) Directors to declare upfront at each Board meeting, any conflict of interest to any proposal or papers submitted for discussion at such Board meeting, and (ii) for such Directors to refrain from participating in meetings or discussions (or relevant segments thereof) in addition to abstaining from voting, on any matter in which they are so interested or conflicted. Each Director is also required to submit details of his/her associates for the purpose of monitoring interested person transactions annually.

The CG Policy Manual makes clear that every Director is expected to objectively discharge his/her duties and responsibilities, to act in good faith, provide insights and consider the interests of the Group at all times. The Company's Directors have the right core competencies and experience to enable the Board to contribute effectively.

***Delegation by the Board***

The Board has established three board committees ("**Board Committees**") to assist in the execution of its responsibilities. They are the Audit & Risk Committee ("**ARC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**"). Each Board Committee is governed by clear terms of reference setting out its role, authority, duties and responsibilities, as well as qualifications for committee membership in line with the Code, which have been approved by the Board.

Authority has been delegated to the Management to approve transactions below certain thresholds, which are set out in a structured Delegation of Authority Matrix.

Notwithstanding the above, the Board Committees and Management remain accountable to and report back to the Board. Minutes of meetings of all Board Committees in FY2019 were provided to the Board, and the Chair of each Board Committee provided updates at Board meetings in FY2019 of matters discussed in Board Committee meetings. The activities of each Board Committee in FY2019 are disclosed under the respective guidelines of this report.

***Board and Board Committees Meetings***

The Board meets at least quarterly, or more frequently when required or appropriate, to review and evaluate the Group's performance and address key matters. The Board and Board Committees' meetings are planned one year in advance to ensure maximum attendance by the participants, and the meeting schedule is circulated to the Directors prior to the start of the financial year. Directors are expected to attend all Board meetings and meetings of the Board Committees on which they serve. If a Director is unable to physically attend a meeting of the Board or a Board Committee, he/she may attend by telephone or video-conference which is allowed under the Company's Constitution. The agendas and meeting materials are circulated to the Board and Board Committees at least one week before the meetings to allow for sufficient time to review prior to the meeting. The Board and Board Committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at scheduled meetings of the Board and Board Committees held in FY2019 is disclosed below. The Directors with multiple board representations have ensured that sufficient time and attention are given to the affairs of the Company.

	Board of Directors	Audit & Risk Committee	Nominating Committee	Remuneration Committee
<b>No. of Meetings</b>	6	5	2	3
<b>Names of Directors</b>				
Koh Boon Hwee	6	-	2	-
Chua Kheng Yeng, Jennie	6	5	2	3
Lui Chong Chee <sup>1</sup>	6	5	2	2
Ee Choo Lin Diana	6	5	-	3
Koh Kah Sek	6	-	-	3
Ramlee Bin Buang	6	5	2	-
Shailesh Anand Ganu <sup>2</sup>	6	-	-	1

<sup>1</sup> Mr Lui Chong Chee was invited to attend two of the three RC Meetings.

<sup>2</sup> Mr Shailesh Anand Ganu was appointed as an Independent Director on 12 February 2019 and an RC member on 23 April 2019. Of the three RC Meetings, two were held before Mr Ganu was appointed as RC member.

### **Board Approval**

#### **Material transactions**

The Company has a structured Delegation of Authority Matrix and internal guidelines regarding matters that require Board approval. The types of material transactions, which require Board approval, include:

- transactions in the ordinary course of business that have not been delegated by the Board to any Board Committee for approval;
- major transactions not in the ordinary course of business;
- bank borrowings;
- provision of corporate guarantees or other securities to secure loans granted to subsidiaries and associated companies;
- acquisition or disposal of fixed assets, save where authority has been delegated by the Board to any Board Committee for approval;
- equity or contractual joint ventures; and
- diversification into new businesses.

#### **Key Activities of the Board during FY2019**

Regular agenda items:

- Quarterly updates on the businesses
- Quarterly review of enterprise risk management
- Quarterly review of financial performance including compliance of financial covenants and cash flow projection
- Review and approval of all announcements including quarterly results and year-end financial statements
- Conflict of interest and register of interested person transactions
- Disclosure of Directors' interests pursuant to the Companies Act and the Securities and Futures Act
- Reports of the ARC, NC and RC

Other key agenda items considered during FY2019:

- Business opportunities
- New banking relationships
- Business strategy
- Material developments relating to accounting, risk management, sustainability reporting, legal, regulatory and/or corporate governance issues
- Adequacy and effectiveness of the internal controls and risk management systems of the Group
- Review of the independence, effectiveness and adequacy of resources for the internal audit function

Matters reserved for Board approval annually:

- Documents for distribution to shareholders including the Annual Report and Audited Financial Statements
- Annual budget and business plan
- Dividend payout
- Remuneration of the Executive and Non-Executive Directors
- Retirement and re-election of Directors

**Board Training and Orientation**

Directors receive a comprehensive induction when they are first appointed to the Board. New Directors are provided with relevant information on the Group's business activities, strategic directions, policies and procedures relating to corporate conduct and governance, including disclosure of interests in securities, restricted periods for dealings in the Company's securities and restrictions on disclosure of confidential or price sensitive information. If the new Director is also appointed to a Board Committee, relevant information on the duties of such Board Committee is also provided. If there are first-time Directors appointed, the Group will provide in-house training for them in areas such as accounting, legal and industry-specific knowledge as appropriate, and direct them to attend external training courses including those conducted by SID, at the Company's cost. Each newly appointed Director is also provided with a formal letter setting out the Director's duties and obligations, including pertinent obligations under the Companies Act, the Securities and Futures Act, the Listing Rules and the Code, and a director tool-kit containing among others, the Company's Annual Report and the detailed Group organisation structure.

The Company is responsible for funding and arranging regular training for the Directors from time to time particularly on changes in the relevant laws, regulations and changing commercial risks to enable them to make well-informed decisions in carrying out their expected roles and responsibilities. Changes to regulations and accounting standards are monitored closely by Management, and Directors are briefed during Board meetings or at specially convened sessions conducted by professionals, on regulatory changes that have any significant bearing on the Group's or Directors' obligations. Directors are provided with opportunities to attend appropriate courses, conferences and seminars.

In FY2019, various Directors attended SID programmes, covering a wide range of topics including audit committee pit stops and seminars, cybersecurity, business valuation, blockchain, and the SID Directors Conference 2019 among others. Mr Shailesh Anand Ganu attended all the required training on the roles and responsibilities of a first-time director of a listed issuer as prescribed by the SGX RegCo.

**Complete, Adequate and Timely Information**

The Board has separate and independent access to Management. Management also keeps the Board apprised of the Group's operations and performance by providing regular management reports. To ensure that the Board is able to fulfil its responsibilities, Management is required to provide complete, adequate and timely information to the Board on issues that require their decision. Whenever appropriate, employees who can provide additional insight in the matters to be discussed are invited to attend the Board meetings.

Board papers and related materials are disseminated at least one week in advance to the Board and the Board Committees, giving the Directors sufficient time to review the relevant information. In line with the Company's sustainability efforts and for efficiency, the Company subscribed to a secure electronic board portal to electronically disseminate board papers and materials. Directors can access the board portal through a secure log-in process from any device, which eliminates the need to circulate hard copies.

**Provision of Information to the Board**

Information provided include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and quarterly internal financial statements. In respect of budgets, material variances between the projections and actual results are also disclosed and explained by Management to the Board.

**Company Secretary**

The Directors have separate and independent access to the Company Secretary through electronic mails, telephone and face-to-face meetings. The role of the Company Secretary includes attendance at all Board meetings, preparation of the agenda and papers for meetings of the Board and Board Committees, taking and circulating minutes of meetings, sending the Board information relating to the Group as needed, advising the Board on corporate and administrative matters, ensuring that Board procedures are followed and that applicable rules and regulations including requirements of the Code, Companies Act, Securities and Futures Act and Listing Rules are complied with, facilitating orientation and assisting with professional development for the Board. The Company Secretary also ensures good information flow within the Board and Board Committees and between the Management and Non-Executive Directors, advising the Board on all governance matters. In FY2019, the Company Secretary attended the AGM and all meetings of the Board and Board Committees.

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

**Independent Professional Advice**

The Board has a procedure for Directors (individually or as a group), if necessary, to seek independent professional advice, in the furtherance of their duties, at the Company's expense. This includes access to a reputable law firm which has been appointed by the Company as corporate governance advisor.

**Board Composition and Guidance**

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

**Board Size and Composition**

The Board currently comprises seven Directors, the majority of whom are non-executive. The only Executive Director is the Group CEO. None of the Directors have served on the Board for more than nine years.

Each Director is required to complete annually a detailed self-assessment questionnaire on his/her independence. For FY2019, the questionnaires were premised on Rule 210(5)(d) of the Listing Rules, Provision 2.1 of the Code, Guideline 2.4 of the 2012 Code (which continues to apply before 1 January 2022) and the circumstances set out in Practice Guidance 2. The completed questionnaires were collated and reported to the Board. In FY2019, four Directors provided declarations to confirm that they do not have any relationship with the Company or its related companies and its officers that could impair, interfere, or be reasonably perceived to interfere, with their judgement in the best interests of the Company, and are to be considered Independent Directors ("IDs"). They are Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana, Mr Ramlee Bin Buang, and Mr Shailesh Anand Ganu. The NC and the Board deliberated and concurred that these four Directors demonstrated strong independence in character and in judgement of Management decisions, and are satisfied that they are independent. Each of them abstained from deliberations of his/ her independence.

There is a strong element of independence on the Board, as the IDs constitute a majority of the Board. The Board's decision-making process is not dominated by any individual or small group of individuals. While the Board Chair (Mr Koh Boon Hwee) is a non-executive and non-independent Director, the Company has complied with the Code's requirement for IDs to make up a majority of the Board when the Chair is not an ID.

The Board is of the view that its current size and the size of each Board Committee is appropriate and facilitates effective decision-making, taking into account the scope and nature of the Group's operations.

**Board Competency and Diversity Policy**

The Board comprises respected members of the business community, with long and extensive experience in various fields, including real estate, engineering, hospitality, corporate management, accounting, human resource, banking and finance. The Board finds the core competencies of the Directors, which include industry knowledge, strategic planning and customer-based experience, to be relevant and beneficial to the Group.

When deciding on the appointment of new directors to the Board, the NC and the Board will consider various factors such as scope and nature of the operations of the Group, skills, knowledge, experience, gender, age and competencies of the candidates that are required on the Board and Board Committees, conflicts of interest, time commitments and the Board Diversity Policy.

The Board Diversity Policy was established in February 2018 as the NC and Board firmly believes that board diversity enhances decision-making capability and fosters constructive debate. The Board agreed that diversity is a wide-ranging concept and covers aspects ranging from industry knowledge, professional experience, educational qualifications, gender, age, ethnicity and nationality, among others. While all appointments to the Board will continue to be made based on merit, in making recommendations on Board appointments, the NC will consider all aspects of diversity to achieve an optimal composition for the Board.

The Board Diversity Policy sets out two specific targets addressing age and gender, and the practical measures which may be implemented to meet such targets. Both targets were met and maintained throughout FY2019. The present Board comprises Directors in diverse age ranges and in terms of gender diversity, 3 out of the 7 Directors or 42.8% of the Board are female. A profile of each Director is found in the "Board of Directors and Management" section of this Annual Report.

**Role of Non-Executive Directors**

The Non-Executive Directors are well-supported by accurate, complete and timely information from Management. They engage in open and constructive debate and challenge Management on its assumptions and proposals, which are fundamental to good corporate governance. They aid in the development of growth strategies and oversee effective implementation by Management to achieve set objectives. They also monitor the performance of the Group.

Non-Executive Directors have unrestricted access to Management. When Non-Executive Directors are unable to attend any Board or Board Committee meetings, they may provide their comments to the Chair of the Board or the relevant Board Committees separately. The Non-Executive Directors constructively challenge and help develop proposals on strategy formulated by Management. They also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of financial and operational performances.

**Meetings of Non-Executive Directors, and of IDs, without the presence of Management**

In FY2019, the Non-Executive Directors met regularly without the presence of Management, and discussed matters ranging from internal audit and external audit matters to the performance of Management.

In FY2019, the IDs, led by the Lead ID, met periodically without the presence of other Directors and Management and discussed matters including succession planning, and where appropriate they provided feedback to the Board Chair after such meetings.

## Chair and Chief Executive Officer

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

### *Separate Persons Acting as Chair and Group CEO*

The roles and responsibilities of the Chair and the Group CEO are distinct and separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chair and the Group CEO are clearly established in the Group's CG Policy Manual. The Chair and the Group CEO are not related family members. The Chair and the Group CEO are also not related to any substantial shareholder of the Company.

### *Roles of Chair*

Mr Koh Boon Hwee assumed the role of Chair on 1 January 2013. The Chair is responsible for leading the Board and ensuring the effectiveness of the Board and Board Committees as well as the governance process.

The other roles of the Chair include the following:

- a) schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations.
- b) ensure sufficient allocation of time for thorough discussion of Board meeting agenda items.
- c) promote an open environment for debate at the Board.
- d) foster constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.
- e) encourage constructive relations within the Board and between the Board and Management.
- f) ensure that Non-Executive Directors are able to speak freely and contribute effectively.
- g) promote high standards of corporate governance.

### *Roles of Group CEO*

Mr Alan Tang Yew Kuen was appointed as the Group CEO on 1 January 2020 following the retirement of Mr Lui Chong Chee on 31 December 2019. The roles and responsibilities of the Group CEO are clearly defined in his service contract with the Company and includes managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board.

### *Lead Independent Director*

The Company appoints an ID as the lead independent director ("**Lead ID**") as the Chair is not an ID. Ms Chua Kheng Yeng, Jennie assumed the role of Lead ID since 25 April 2017. The Lead ID is a key member of the Board, representing the views of the IDs and providing a channel to the Non-Executive Directors for confidential discussions on any concerns, and facilitating a two-way flow of information between shareholders, the Chair and the Board.

Shareholders with concerns may contact the Lead ID directly if contact through the normal channels via the Chair or Management is inappropriate or has failed to provide satisfactory resolution. The Lead ID's email address is lead\_independent\_director@fareastorchard.com.sg, which is also listed on the Company's website.

**Board Membership**

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

***NC Composition and Key Terms of Reference***

The NC comprises three Non-Executive Directors, the majority of whom, including the NC Chair, are independent. The Lead ID is the NC Chair.

The NC comprises:

Ms Chua Kheng Yeng, Jennie as NC Chair (Lead ID)

Mr Koh Boon Hwee (Non-Executive Director)

Mr Ramlee Bin Buang (ID)

The NC's terms of reference was reviewed and updated in FY2019 for alignment with the Code.

The principal functions of the NC under its terms of reference are to:

- a. identify and nominate new Directors for appointment to the Board and Board Committees, after evaluating factors such as the candidate's experience, knowledge, skills, age and gender in relation to the needs of the Board, whether the candidate will add diversity to the Board having regard to the Company's Diversity Policy, the composition and progressive renewal of the Board and Board Committees, and whether it is ideal to appoint an independent third party search firm to source and screen candidates.
- b. develop and maintain a formal and transparent process for the appointment of new Directors to the Board, which includes disclosing to the Board the channels used in searching for candidates, and the criteria used to identify and evaluate the candidates.
- c. provide nominations for the re-appointment of a Director having regard to the Director's performance, commitment and ability to continue contributing to the Board, and how such Director will fit in the overall competency and performance of the Board.
- d. recommend retirement of Directors at regular intervals and arrange all Directors to submit themselves for re-nomination and re-appointment at least once every three years in accordance with the Listing Rules.
- e. identify and develop training and professional development programmes for the Board and Board Committees, and review these annually.
- f. provide the Board with succession plans for the Board Chair and Directors, and collaborate with the RC and Executive Director(s) on the talent management and succession planning for key management personnel.
- g. review the independent status of Non-Executive Directors and assess the independence of the Directors annually having regard to the Listing Rules, the Code, the Practice Guidance among others.
- h. review the appropriate structure, composition and size of the Board and Board Committees for effective decision-making.
- i. develop and maintain a formal annual assessment process and objective performance criteria to evaluate the effectiveness of the Board, its Board Committees and the contribution by each Director (including the Board Chair) to the effectiveness of the Board, and to analyze the findings of the performance evaluation sheets submitted.
- j. to provide a reasoned assessment of a Director's ability to diligently discharge his/ her duties where such Director holds a significant number of listed company directorships and principal commitments.

In FY2019, the NC held two meetings. In those meetings, the NC carried out all its principal functions as listed above, and further reviewed, inter alia, whether a cap on the number of listed directorships was appropriate. After each NC Meeting, the NC provided updates and relevant recommendations to the Board.

**Board Renewal, Roles and Responsibilities**

The Board's renewal is an on-going process, to ensure good governance and to maintain relevance to the business as well as the changing needs of the Group. New Directors are appointed by way of a Board Resolution, after the NC recommends their nominations.

In FY2019, in its review of the Board composition, the NC and the Board considered the years of service of each Director and the need for progressive renewal of the Board, conscious of the 9-year rule for independence which will be hard-coded in the Listing Rules with effect from 1 January 2022. For any IDs on the Board with service crossing the 9-year mark in FY2020, the NC will ensure their independence is subject to a rigorous review before the NC and the Board.

The NC is charged with the responsibility of re-nominating the Directors. The Company's Constitution requires one-third, or the number nearest to one-third of the Directors, including any Managing Director (or any equivalent appointment however described), to retire from office. The Directors to retire every year are those who have been longest in office since their last election. No Director stays in office for more than three years without being re-elected by shareholders. In addition, a newly appointed Director will hold office only until the next AGM at which he/she will be eligible for re-election.

Each NC member abstains from voting on any resolution, making any recommendation and/or participating in respect of matters in which he/she is the subject or interested in.

Directors who are subject to retirement by rotation in accordance with the Company's Constitution and who are seeking re-election at the forthcoming AGM are Mdm Ee Choo Lin Diana, Ms Koh Kah Sek and Mr Alan Tang Yew Kuen. Please see the "Additional Information on Directors Seeking Re-election" section of this Annual Report for further details.

**Review of Directors' Independence**

The NC conducts an annual review of the independence of each Director, with full regard to the Listing Rules, the Code, the Practice Guidance and having considered the self-assessment of independence submitted by each Director to the NC, details of which were explained above. The NC provides its views on the independence of the Directors to the Board for consideration. The NC is also committed to reassessing the independence of each individual Director as and when warranted. Directors are required to notify the Board of any changes to their external appointments, interests in shares, and other relevant information which may affect their independence.

Based on the review for FY2019, the NC is satisfied that Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana, Mr Ramlee Bin Buang and Mr Shailesh Anand Ganu are independent.

**Multiple Board Representations**

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. The NC noted that Board and Board Committee meetings are scheduled in advance to facilitate the Directors' scheduling of their commitments.

The NC's view is that there is no current need to determine the maximum number of board representations for each Director, as a number is not necessarily representative of a Director's commitment to perform his/ her duties to the Company. Instead of a hard number, the NC will consider factors such as attendance, degree of participation by a Director at meetings and considering issues, and the quality of contribution made by a Director.

Throughout FY2019, three Directors held other directorships on unrelated listed companies. The NC reviewed each Director's other directorships, principal commitments, attendance, performance and contributions to the Board, and noted the full attendance of all Directors at the AGM and all scheduled Board and Board Committee Meetings. The NC is satisfied that all Directors have given sufficient time and attention to the Company's matters and have diligently discharged their duties for FY2019.

***Appointment of Alternate Director***

The Company did not have any alternate director on its Board during FY2019. The Company discourages the appointment of alternate directors as it is an indication that the principal director is not able or prepared to commit the time required for the Company's affairs.

***Nomination and Selection of Directors***

The NC will consider the Company's current Board in terms of its size, composition, collective skills and experience and diversity. Potential new directors are shortlisted after conducting external searches and/or tapping on internal resources and referrals from existing Directors. The potential candidates are required to provide their curriculum vitae and the following key information to the NC: (a) any relationships including immediate family relationships between the candidate and the Directors, the Company or its 5% shareholders; (b) a list of all current directorships in other listed companies; (c) details of other principal commitments; and (d) any shareholding (including immediate family's shareholding) in the Company and its related corporations.

In its search and selection process, the NC evaluates whether the potential candidates possess relevant experience and qualifications, whether they have the calibre to contribute to the Group and its businesses, whether they complement the skills, competencies and attributes of the existing Board, the requirements of the Group, and their independence status. The NC also meets with each shortlisted candidate personally to assess suitability and to ensure that the candidate is aware of the expectations and the level of commitment required. Thereafter, the NC makes a recommendation to the Board for approval.

The NC followed the above process in its search and selection process for an ID before Mr Ganu's appointment in FY2019. Through FY2019, the NC also worked extensively with the RC and Board Chair in identifying and appointing Mr Alan Tang Yew Kuen to succeed Mr Lui who retired (from his role as Executive Director and Group CEO) on 31 December 2019. Mr Alan Tang's appointment as Executive Director and Group CEO took effect on 1 January 2020. Key information on Mr Ganu and Mr Tang is listed in the "Board of Directors and Management" section of this Annual Report.

***Key Information of Directors***

Key information regarding the Directors including academic and professional qualifications, membership or chairmanship in the Group's Board Committees, date of first appointment and last re-appointment, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments is listed in the "Board of Directors and Management" section of this Annual Report. Information on the Directors is also available on [www.fareastorchard.com.sg](http://www.fareastorchard.com.sg).

## **Board Performance**

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

### ***Board Evaluation Process***

The responsibilities of the NC include evaluating the performance and effectiveness of the Board, the Board Committees and the contribution by the Chair and each Director, based on a set of criteria. The Board and each Board Committee carefully considered the sample evaluation forms in SID's NC Guidebook before preparing separate forms for evaluation of the Board, the ARC, the RC and the NC, specifically designed for each Director to address his/her mind to the specific roles and performance of the Board and each Board Committee.

The annual evaluation process involves each Director completing performance evaluation forms on the Board and each relevant Board Committee on which he/ she is a member of, including the chair of such Board Committee. Each Director is also to complete a self-assessment performance evaluation form. Directors are encouraged to provide comments or suggestions for improvement in these forms.

The Company subscribes to a secure electronic board portal and utilises its survey tools to conduct the annual evaluation process. To ensure confidentiality, the completed performance evaluation forms are provided to the Company Secretary, who collates the results before presenting them on an anonymized basis to the NC for review. The NC considers the actions appropriate or beneficial to improve the corporate governance and effectiveness of the Board and Board Committees, before it presents the results of the evaluation exercise and its recommendations to the Board. The NC and the Board were satisfied with the overall results of the assessment for FY2019.

The NC agreed that there was no need to appoint any external facilitator to assist in the assessment for FY2019.

### ***Board and Board Committee Performance Criteria***

The Board and each Board Committee are evaluated on a range of criteria including competencies, attendance, guidance provided in relation to the Company's performance, degree of preparedness, participation and candour of Directors, contribution to effective risk management, timeliness in response to resolution of issues, adequacy and conduct of Board and Board Committee meetings, succession planning, and communication lines with Management and shareholders.

The Board is committed to guide the Company towards achieving its growth targets identified in the Company's 5-year business plan.

### ***Individual Director Evaluation***

Annually, each Director completes a self-assessment performance evaluation form of the prior year's performance, designed to remind each Director of his/her continued role and commitment to the Board. For FY2019, the NC took note of each Director's attendance at and preparation for Board Meetings and relevant Board Committee meetings, constructive participation in discussions, and application of skill-sets to the decision-making process.

The results of the performance evaluations are taken into consideration when the NC conducts its regular review in consultation with the Board Chair, on the appropriate composition for the Board and Board Committees and whether it would be appropriate or beneficial to propose changes to such composition.

**REMUNERATION MATTERS****Procedures for Developing Remuneration Policies**

**Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

***RC Composition and Key Terms of Reference***

The RC comprises four Non-Executive Directors, the majority of whom, including the RC Chair, are independent.

The RC comprises:

Mdm Ee Choo Lin Diana as RC Chair (ID)  
 Ms Chua Kheng Yeng, Jennie (Lead ID)  
 Ms Koh Kah Sek (Non-Executive Director)  
 Mr Shailesh Anand Ganu (ID)

The RC's terms of reference was reviewed and updated in FY2019 for alignment with the Code.

The principal functions of the RC under its terms of reference are to:

- a. review and recommend to the Board, a formal and transparent procedure for determining the remuneration of the Company's Directors, including Non-Executive Directors and the Executive Director(s).
- b. review and recommend to the Board, a remuneration framework for Directors' fees (covering all aspects of remuneration) and the appropriateness of remuneration awarded to attract, retain and motivate Directors, having regard to factors including but not limited to the effort, time spent and responsibilities of the Director.
- c. review and recommend to the Board, a remuneration framework for key management personnel (including the Group CEO), with remuneration packages designed to align interest with shareholders and the Company's long-term goals, promoting long-term corporate value creation.
- d. review and recommend to the Board, proposed performance measures and targets for any performance-related pay schemes operated by the Company, and specific remuneration packages for each key management personnel covering all aspects of remuneration, including but not limited to salaries, allowances, bonuses, options and benefits-in-kind.
- e. review the design of all long-term and short-term incentive plans for approval by the Board and shareholders, with consideration of the use of long-term incentives such as share schemes (if appropriate) for key management personnel.
- f. review the level and structure of pay and employment conditions for key management personnel relative to internal and external peers from companies in the same industry to ensure that key management personnel are appropriately remunerated.
- g. oversee any major changes in employee benefits or remuneration structures and review the ongoing appropriateness and relevance of the Company's remuneration policy.
- h. oversee the talent management and succession planning matters for key management personnel, with collaboration of the NC and the Executive Director(s).
- i. ensure that contractual terms and any termination payments for key management personnel are fair to the individuals and to the Company, and that poor performance will not be rewarded.

In FY2019, the RC held three meetings. In those meetings, the RC carried out all its principal functions as listed above, and further reviewed, inter alia, the effectiveness of long-term incentives and discussed whether to adopt contractual provisions to claw back incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances.

***RC's Access to Advice on Remuneration Matters***

The RC has access to appropriate advice from the Head of Human Resources, who is invited to all RC meetings. The RC may also seek external expert advice on remuneration of Directors and employees as and when the need arises. In its deliberations, the RC takes into consideration industry practices and norms in compensation, the Group's relative performance to the industry, and the performance of individual Directors. For Non-Executive Directors, the RC also considers the 2018 bench-marking report by independent external consultant Mercer (Singapore) Pte. Ltd. ("**Mercer**") on the remuneration of Non-Executive Directors.

***Remuneration Framework***

The RC reviews and recommends to the Board a general framework of remuneration for the Board as well as the entire Group, with a goal to recruit, motivate and retain employees through competitive compensation. The RC annually reviews the overall annual increment and bonus framework for Group employees, before putting forth its recommendations to the Board for approval.

The RC reviews and recommends to the Board the specific remuneration packages for the Executive Director and the key management personnel upon recruitment. Subsequently, various aspects of their remuneration will be reviewed by the RC for recommendation to the Board.

The members of the RC do not participate in any decisions concerning their own remuneration.

The RC and the Board are satisfied that the remuneration framework for the Board (which was last reviewed and updated in FY2018) is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company.

***Service Contracts***

The RC has reviewed the Company's obligations arising in the event of termination of the Executive Director and key management personnel' service contracts and is of the view that such service contracts contain fair and reasonable termination clauses which are not overly generous nor reward poor performance.

**Level and Mix of Remuneration**

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

***Remuneration of Executive Director and Key Management Personnel***

The Company has one Executive Director who is the Group CEO, who receives a base fee for being a Board member (which remains unchanged from the fee paid in FY2018).

The identities of the top five key management personnel (who are not Directors or the Group CEO) are set out in Principle 8. Their service contracts with the Company comprise both fixed and variable components. The variable components are performance related and are linked to their individual performance as well as that of the Group. This is designed to align remuneration with the interest of shareholders and to promote the long-term success of the Group.

In structuring the remuneration packages of the Executive Director and other key management personnel, the RC and Board take into account the performance of the Group and the individual, and risk policies of the Group so as to be symmetric with risk outcomes and sensitive to the time horizon of risks.

The RC and the Board have deliberated and provided assurance that the current level and structure of remuneration of the Executive Director and key management personnel are aligned with the long-term interests and risk management policies of the Company, and are appropriate to retain and motivate them to provide good management of the Group.

***Long-term Incentive Scheme***

The Group does not have any employee share option scheme or other long-term incentive scheme for Directors or employees. However, the Group rewards the employees with other benefits in cash and in kind. In FY2019, the Company engaged consultants from Aon Hewitt Singapore Pte Ltd to evaluate the impact of long-term incentive schemes on performance and deliberated over the consultants' recommendations. The evaluation of the costs and benefits of deployment of a long-term incentive scheme by the RC and Board is on-going.

***Remuneration of Non-Executive Directors***

Following the 2018 bench-marking report by Mercer on the remuneration of Non-Executive Directors, the RC recommended the Board to update the remuneration framework. After considering the RC's recommendations, the Board approved a revised remuneration framework for Directors' fees effective from FY2019. While the Non-Executive Directors are still paid a base retainer fee, the fee now varies depending on whether he/ she serves as Board Chair, or as an independent Director or a non-independent Director. The Non-Executive Directors receive additional fees if they serve as the Lead ID or as a chair or member of the various Board Committees, and the quantum of such additional fees payable in FY2019 remain identical to the quantum paid in FY2018. The fee structure is presented under Principle 8 of this Report.

At the AGM of each financial year, the Company will seek shareholders' approval for the aggregate of the fees that may be paid to the Board in such financial year ("**Directors' Fees**"). The Board will recommend the Directors' Fees payable for FY2020 for shareholders' approval at the forthcoming AGM.

The Directors' fee framework is evaluated at least annually for appropriateness, taking into account the level of contribution, the responsibilities and obligations of the Directors, the prevailing market conditions, the most recent bench-marking report (if any) and referencing the Directors' fees against comparable and independent benchmarks.

The RC is of the view that the remuneration is appropriate to attract, retain and motivate the Non-Executive Directors and they are not over-compensated to the extent that their independence may be compromised.

***Contractual Provisions for Executive Director and Key Management Personnel***

The Company currently does not have contractual provisions to reclaim any incentive components of remuneration from the Executive Director and other key management personnel, and there are no excessively lengthy or onerous removal clauses in their service contracts.

**Disclosure on Remuneration**

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

***Annual Remuneration Report***

For FY2019, there were no termination, retirement or post-employment benefits granted to any Director or key management personnel. The breakdown of the remuneration of Directors and key management personnel for FY2019 is reported below.

**Disclosure of Directors and Group CEO's Remuneration****Breakdown of Level and Mix of Directors' Fees**

A breakdown showing the level and mix of the Directors' Fees for FY2019 is appended below:

	Fees (S\$)
<b>Base Retainer Fee:</b>	
Board Chair	70,000
Independent Non-Executive Board Member	40,000
Non-Independent Non-Executive Board Member	35,000
Non-Independent Executive Board Member	35,000
<b>Lead Independent Director</b>	17,000
<b>Board Committees:</b>	
<b>Audit &amp; Risk Committee</b>	
- Chair	38,500
- Member	19,000
<b>Remuneration Committee</b>	
- Chair	14,000
- Member	7,500
<b>Nominating Committee</b>	
- Chair	14,000
- Member	7,500

**Breakdown of Directors' Fees received by each Director**

A further breakdown of the aggregate Directors' Fees received by each Director for FY2019 is appended below:

Name of Director	Aggregate Director Fee (S\$)
Koh Boon Hwee	77,500
Chua Kheng Yeng, Jennie <sup>1</sup>	97,500
Lui Chong Chee	35,000
Ee Choo Lin Diana <sup>2</sup>	108,000
Koh Kah Sek	42,500
Ramlee Bin Buang	86,000
Shailesh Anand Ganu <sup>3</sup>	40,521

**Notes:**

<sup>1</sup> The Directors' fees of Ms Chua Kheng Yeng, Jennie are paid to a consultancy company in which she is a member/director.

<sup>2</sup> The Directors' fees received by Mdm Ee Choo Lin Diana include fees for her directorships on the board of Far East Hospitality Holdings Pte. Ltd. (S\$10,000) and Toga Hotel Holdings Pty Limited (director and member of the audit and risk committee of the trustee board) (S\$25,000).

<sup>3</sup> Mr Shailesh Anand Ganu was appointed as an ID on 12 February 2019 and as RC member on 23 April 2019.

**Disclosure of Remuneration of the Group CEO**

The remuneration of the Group CEO for FY2019 is disclosed below. The Board has assessed and decided that this is a key position, and the remuneration is disclosed in percentage terms for confidentiality. Disclosure of the exact details of the remuneration may invite comparison that subjects the Company to the risk of attrition of this position, which is not in the best interests of the Company or its shareholders. In addition, the remuneration of the Group CEO has been disclosed in bands such that the minimum and maximum range is apparent.

<b>Group CEO</b>	<b>Fees and Base salary<sup>1</sup> (%)</b>	<b>Variable / Performance- related income / bonuses (%)</b>	<b>Benefits-in- kind (%)</b>
<b>S\$750,000 to S\$999,999</b>			
Lui Chong Chee	99.98	0.00	0.02

**Notes:**

<sup>1</sup> Inclusive of allowances and Central Provident Fund contributions.

**Disclosure of Key Management Personnel' Remuneration**

Key management personnel' compensation consists of salary, allowances and bonuses. Bonuses are conditional upon the key management personnel and the Group meeting certain performance targets. A proportion of the key management personnel' remuneration is linked to the Group and individual performances.

The Group has determined that it has five key management personnel (who are not Directors or the Group CEO) in FY2019. The aggregate of the total remuneration paid to them is S\$2,154,389. Their remuneration is also disclosed in percentage terms and in bands of S\$250,000.

<b>Key Management Personnel</b>	<b>Designation</b>	<b>Base salary<sup>1</sup> (%)</b>	<b>Variable / Performance- related income / bonuses (%)</b>	<b>Benefits-in- kind (%)</b>
<b>S\$750,000 - S\$999,999</b>				
Kiong Kim Hock Arthur	CEO, Far East Hospitality	90.62	5.40	3.98
<b>S\$250,000 - S\$499,999</b>				
Joanna Gok Yin Yin	Chief Financial Officer	87.89	11.76	0.35
Audrey Chung Suet Cheng	Assistant Director of Operations, Far East Hospitality	88.65	9.65	1.71
Gill Ishwinder Singh <sup>2</sup>	Assistant Director of Operations, Far East Hospitality	92.05	7.27	0.68
Brett Ronald Walker <sup>2</sup>	Assistant Director of Operations, Far East Hospitality	96.63	3.37	0.00

**Notes:**

<sup>1</sup> Inclusive of allowances and Central Provident Fund contributions.

<sup>2</sup> Their remuneration is charged down by the Group to the hospitality properties they oversee, in accordance with contractual arrangements.

**No Employees with Relationships with a Director or the Group CEO or Substantial Shareholder of the Company**

None of the Company's substantial shareholders are employees. There are no Company employees who are an immediate family member of a Director or the Group CEO or a substantial shareholder of the Company.

***Relationships between remuneration, performance and value creation***

The Company considers the achievement of sustainable income and long-term capital growth, and the provision of consistent and sustainable ordinary dividend payments on an annual basis, to be value creation for its shareholders. The Group also views the continuous enhancement of its sustainability practice to be value creation for its stakeholders.

The variable component of the remuneration of the Executive Director and key management personnel is tied to certain performance conditions of the Group, including financial targets such as revenue and profit, and non-financial targets such as guest and customer satisfaction levels. These performance conditions align the Executive Director and key management personnel with the short-term and long-term interests of the Group. The variable component of their remuneration was paid in accordance with those performance conditions which were met.

**ACCOUNTABILITY AND AUDIT****Risk Management and Internal Controls**

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interest of the company and its shareholders.**

***Accountability of the Board and Management***

The Board conducts itself in ways that deliver maximum sustainable value to the shareholders. The Board promotes best practices in providing timely and full disclosure of material information in compliance with the statutory reporting requirements. The Board is accountable to shareholders and is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects through SGXNet announcements on a quarterly basis as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Quarterly unaudited financial results and full year results of the Group for FY2019 have been announced within the deadlines prescribed by the Listing Rules.

***Compliance with Legislative and Regulatory Requirements***

In preparing the financial statements, the Board has selected suitable accounting policies and applied them consistently. The Board has made judgements and estimates that are reasonable and prudent and ensures that all applicable accounting standards have been followed. The financial statements were prepared on the basis that the Directors have reasonable expectations, having made enquiries, that the Group has adequate resources to continue operations for the foreseeable future.

The Board has taken adequate steps to ensure the Company's compliance with legislative and regulatory requirements, including requirements under the Companies Act and Listing Rules, for instance, by publishing its annual report, holding its AGM and making announcements of material corporate developments in a timely manner within required deadlines. Announcements are reviewed and approved by the Board before they are published. Relevant policies are also instituted, for example, the Company has a data protection policy and appointed data protection officers to oversee for compliance with relevant data protection regulations in Singapore and overseas.

The Company confirms that undertakings under Rule 720(1) of the Listing Rules have been obtained from all its Directors and Executive Officers (as defined in the Listing Rules) in the format set out in Appendix 7.7 of the Listing Rules.

***Management Accounts***

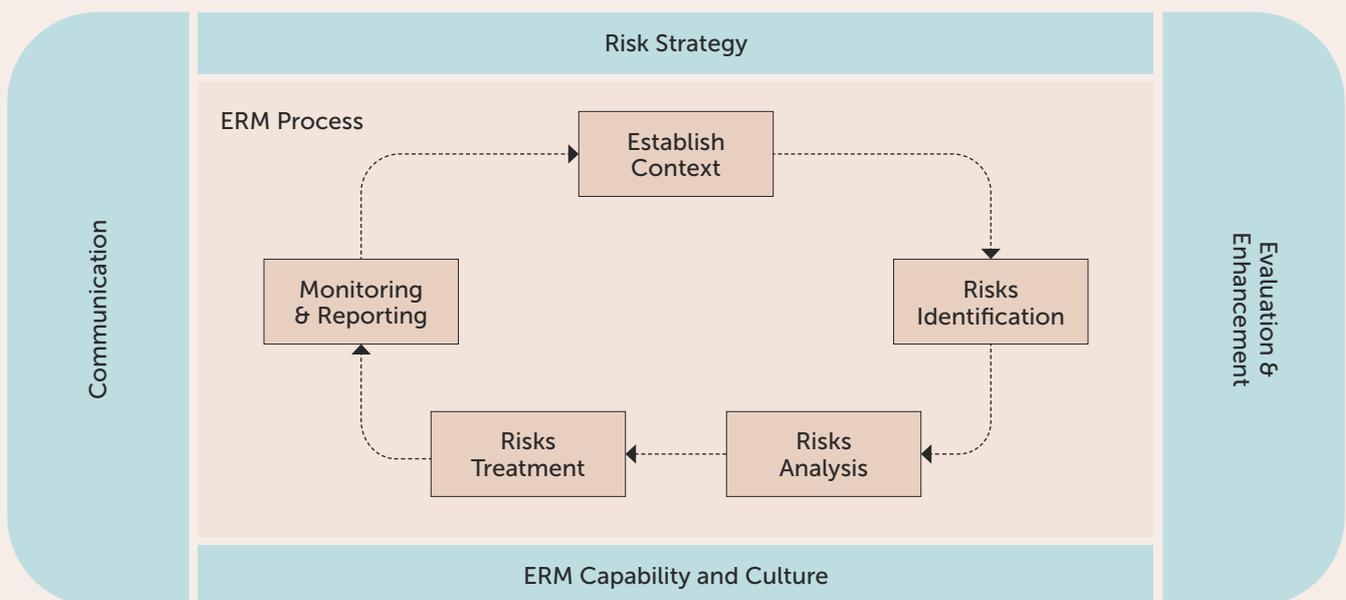
Management provides the Board with management accounts on a quarterly basis and other information in connection with matters or transactions which require Board approval. In this way, the Board is kept abreast of the operations, financial performance, position and prospects of the Group.

**Risk Management and Internal Control Systems**

The Company has in place a sound system of risk management and internal controls, addressing material financial, operational, compliance and information technology (“IT”) risks, amongst other risks, to safeguard shareholders’ interests and the Group’s assets.

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 Group refers all significant matters to the ARC and the Board. The Board has approved an Enterprise Risk Management (“ERM”) manual setting out the tolerance for various classes of risk. It prescribes a zero tolerance towards non-compliance with laws and regulations, disregard for health and safety requirements, corruption, bribery, graft and fraudulent activities.

The Group has in place an ERM framework that consolidates the risk management practices across the Group. The consolidated approach provides Management with a formal framework and structure to identify risks and optimise available resources to mitigate the risks. The ERM framework encompasses an evaluation process to determine its adequacy and effectiveness; and accords appropriate improvements to the ERM framework and process. The framework is reviewed annually taking into considerations the changing business landscape and expansion of our operations. References were drawn from the Corporate Governance Council’s Risk Governance Guidance for Listed Boards and SS ISO 31000:2011 when conceptualising this framework.



The ARC reviews the key risks of the Group quarterly. The key risks identified by the Group may be broadly categorised into the following:

**Strategic Risks**

The Group evaluate risks associated to business strategies and strategic positioning; for instance sustainability, reputation and crisis risks. The Group’s approach to sustainability risk and the material Economic, Environmental, Social and Governance factors are covered in the Sustainability Report.

**Financial Risks**

The Group’s activities are affected by various financial risks, including interest rate risk, exchange rate risk and liquidity risk. The details of each risk are set out in Note 34 to the financial statements of this Annual Report.

***Operational Risks***

The operational risks facing the Group include changes in external market conditions such as oversupply of properties, competitive pricing in the market and drop in visitor arrivals due to political instability, terrorism and health warnings. Other risks include increase in operating costs and the necessity for capital expenditure from time to time.

***Compliance Risks***

The Group faces compliance risks such as changes to government policies, rules and regulations relating to the property and hospitality industries within the jurisdictions where the Group operates.

***IT Risks***

Failure of critical IT systems can potentially disrupt the Group's business. Confidential information, such as customers' personal data, may be at risk of cyber-attacks. The Group continuously reviews its IT security and processes, and makes necessary enhancements to mitigate such risks.

Management undertakes periodic reviews of the Group's past performances and conducts horizon scanning in order to identify and assess current and future risks related to the aforementioned risk categories – strategic, financial, operational, compliance and IT. Based on these reviews, Management employs reasonable endeavours in ensuring that these risks are within limits and strategies approved by the Board.

Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost-effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatements or losses. The Board is satisfied that the system of risk management and internal controls that the Group has in place provides reasonable assurance against material financial misstatements or losses, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks.

***Adequacy and Effectiveness of Risk Management and Internal Control Systems***

The Board reviews quarterly the adequacy and effectiveness of the Group's risk management and internal control systems.

The ARC assists the Board in determining the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The ARC considers the nature of the risks facing the Group and the extent to which these risks are acceptable, the likelihood of risks materialising and the Group's ability to reduce their occurrence and impact on the business, and the cost versus the benefit of managing the risks. The ARC ensures that the internal auditors conduct reviews of the Group's internal controls, addressing material strategic financial, operational, compliance and IT controls. Risk management and financial management are also assessed.

The Group has established the Management Risk & Sustainability Committee ("**MRSC**") that is headed by the Group CEO and comprises relevant key management personnel as committee members. The MRSC supports the Board and ARC in driving the risk management and sustainability efforts. The Group CEO and CFO will also assess the reports from the internal auditors and the MRSC before providing relevant assurance to the Board.

# CORPORATE GOVERNANCE

The following are some of the policies instituted and activities conducted to ensure that the Company's risk management and internal control systems are adequate and effective. They include policies to ensure the health, safety and welfare of the Group's employees. The Group also arranged training in various areas for employees, including compliance training courses for personal data protection, competition law and operational risk management.

Strategic Risks	a) CG Policy Manual b) ERM manual c) Whistle-blowing policy
Financial Risks	a) Foreign currencies & control procedures, including exchange monitoring & hedging b) Interest rate
Operational Risks	a) Emergency response plan and drills b) Service quality audits c) Workplace safety & health risk assessment procedures manual d) Employee safety handbook
Compliance Risks	a) Annual declaration of potential conflicts of interest b) Company's code of conduct and Employee Handbook covering: <ul style="list-style-type: none"> <li>- Anti-bribery and anti-corruption</li> <li>- Compliance with Competition Act</li> <li>- Problem gambling</li> <li>- Usage of social media</li> </ul> c) External and Internal audits
IT Risks	a) Information security management policy b) Personal data protection policy

### **Assurance from CEO and relevant Key Management Personnel**

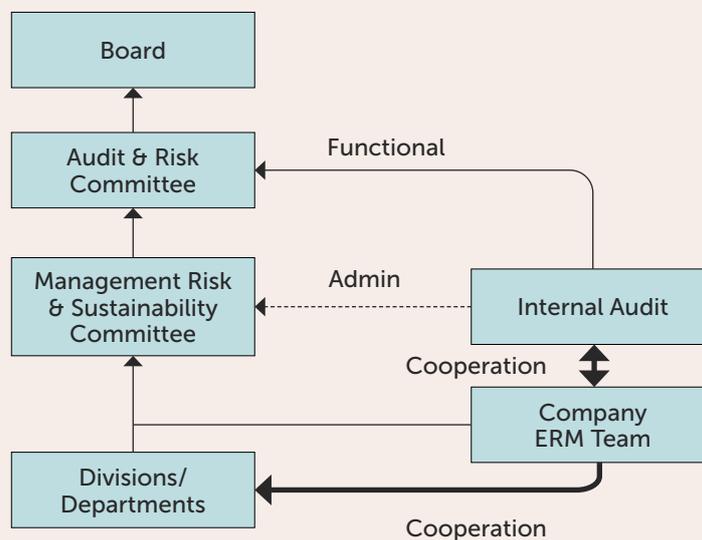
The Board, with the concurrence of the ARC, is therefore of the opinion that the Group's system of risk management and internal controls is adequate and effective to address material strategic financial, operational, compliance and IT risks of the Group in its current business environment.

The Board has received assurance:

- (i) from the Group CEO and the CFO that the financial records have been properly maintained and the audited financial statements give a true and fair view of the Group's operations and finances; and
- (ii) from the Group CEO and the MRSC (which comprises relevant key management personnel and other employees) who are responsible for the adequacy and effectiveness for the Group's risk management and internal control systems, that the Group's risk management and internal control systems are adequate and effective in addressing the material risks in the Group in its current business environment, including material strategic, financial, operational, compliance and IT risks.

## Risk Committee

The Company's structure to facilitate management of risks is set out below:



## Audit & Risk Committee

**Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

### ARC Composition and Key Terms of Reference

The ARC comprises three Non-Executive Directors, all of whom, including the ARC Chair, are independent.

The ARC comprises the following IDs:

Mr Ramlee Bin Buang as ARC Chair (ID)  
 Ms Chua Kheng Yeng, Jennie (Lead ID)  
 Mdm Ee Choo Lin Diana (ID)

The ARC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, develop and maintain adequate and effective risk management and internal control systems.

### Expertise of ARC Members

The Board is of the view that all members of the ARC have recent and relevant accounting and/or related financial management expertise and experience to discharge their responsibilities as members of the ARC.

### Authority of ARC

The ARC has explicit authority to investigate any matter within its terms of reference. The ARC has full access to and the co-operation of the Group's Management and in addition, has absolute discretion to invite any Director or Executive Officer (as defined in the Listing Rules) of the Group to attend its meetings, as it deems necessary. External expert advice is available to the ARC as and when the need arises, to enable it to discharge its functions properly.

**Role and Responsibilities of ARC**

The principal roles and responsibilities of the ARC under its terms of reference (which was reviewed and updated in FY2019 for alignment with the Code) are to:

- a. review the significant financial reporting issues and judgements to ensure the integrity of the financial statements of the Group and any announcements relating to the Company's financial performance.
- b. review annually the adequacy and effectiveness of the Group's risk management framework and material internal controls including financial, operational, compliance and IT controls.
- c. review the assurance from the Group CEO and the CFO on the financial records and financial statements.
- d. review the audit plans and reports by the internal auditors.
- e. review the external auditors' proposed audit scope and approach, and their final audit report.
- f. review all non-audit services provided by the external auditors to ensure that any provision of such services would not affect the independence and objectivity of the external auditors.
- g. review the performance and consider the independence of the external auditors.
- h. make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve their remuneration and terms of engagement.
- i. review the adequacy, effectiveness, independence, scope and results of the external audit and the Group's internal audit function.
- j. identify, prevent and minimise business risks.
- k. review the financial statements of the Company and the Group before submitting them to the Board.
- l. review significant sustainability reporting issues and assess whether the annual sustainability information reflects the principles of the selected sustainability reporting framework.
- m. review interested person transactions, if any.
- n. review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up actions (including disciplinary action) in respect of any fraudulent acts or non-compliance.
- o. review the whistle-blowing policy and ensure arrangements are in place for any concerns to be raised.

In its review of the financial statements of the Group and the Company for FY2019, the ARC had discussed with Management regarding the identification of matters that could significantly affect the integrity of the financial statements ("**significant financial reporting matters**"). The discussion included an assessment of the accounting principles and critical judgements applied by Management and the clarity of the relevant disclosures in the financial statements. The significant financial reporting matters identified, which are consistent with the key audit matters identified by the external auditors, and the ARC's commentaries are set out as follows:

Key audit matters	How these issues were addressed by the ARC
<p>Valuation of investment properties, and land and buildings classified under property, plant and equipment ("<b>PPE</b>")</p>	<p>The ARC reviewed the outcomes of the annual valuation process and discussed the details of the valuation with Management, focusing on investment properties and revalued land and buildings classified under PPE which registered higher fair value gains/losses during the period under review.</p> <p>The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation.</p> <p>The ARC was satisfied with the valuation process, the methodologies used and the valuation outcomes adopted and disclosed in the financial statements.</p> <p>Refer to Notes to the Financial Statements ("<b>Note</b>") 20 and 21 for details of the relevant valuations.</p>
<p>Impairment assessment of goodwill</p>	<p>The ARC reviewed the outcomes of the annual goodwill impairment assessment process and discussed the details of the impairment assessment with Management, focusing on the key assumptions applied including the discount rates and annual revenue growth rates.</p> <p>The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied.</p> <p>The ARC was satisfied with the valuation methodologies applied, the appropriateness of the key assumptions applied and the conclusion of the impairment assessment of goodwill.</p> <p>Refer to Note 23 for details of the goodwill impairment assessment.</p>
<p>Valuation of investment in joint venture, Toga Hotel Holdings Unit Trust ("<b>Toga Trust</b>")</p>	<p>Through the Group's 50% representation on the board and audit and risk committee of Toga Trust, the ARC reviewed with Management the outcomes of the following processes performed by Toga Trust on a bi-annual basis:</p> <ul style="list-style-type: none"> <li>• Valuation of land and buildings classified under PPE held by Toga Trust; and</li> <li>• Impairment assessment of goodwill and brands with indefinite lives held by Toga Trust.</li> </ul> <p>The ARC discussed with Management in detail, focusing on:</p> <ul style="list-style-type: none"> <li>• Toga Trust's PPE assets which registered higher fair value gains/losses during the period under review; and</li> <li>• Key assumptions applied by Toga Trust in the impairment assessment, including the discount rate and annual revenue growth rates.</li> </ul> <p>The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of Toga Trust's valuation methodologies and the underlying key assumptions applied in the valuation of PPE and impairment assessment of goodwill and brands with indefinite lives.</p> <p>The ARC was satisfied with the valuation process, the methodologies used, the appropriateness of the key assumptions applied, the valuation of PPE and the conclusion of the impairment assessment of goodwill and brands with infinite useful lives.</p> <p>Refer to Note 18 for details relating to the Group's investment in Toga Trust.</p>

**Meetings with External Auditors and Internal Auditors without Management**

In FY2019, the ARC met twice with the external auditors, PricewaterhouseCoopers LLP (“PwC”), and four times with the internal auditors, without the presence of the Company’s Management. These meetings enabled the external auditors and internal auditors to raise directly to the ARC issues, if any, encountered during their audits.

**Independence of External Auditors**

In FY2019, the ARC conducted its annual review of non-audit services provided by PwC, to satisfy itself that the nature and extent of such services will not prejudice PwC’s independence and objectivity, before nominating them for re-appointment. The aggregate amount of fees payable to PwC for audit services provided for the Company and its subsidiaries for FY2019 amount to S\$861,000. The fees payable/ paid to PwC for non-audit services provided for FY2019 amount to S\$128,000 and were incurred for the provision of corporate tax compliance and certification services. The ARC also evaluated the quality of work carried out by PwC based on the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority. The ARC was satisfied with the independence, objectivity and performance of PwC and nominated PwC for re-appointment as external auditor of the Company at the forthcoming AGM.

All local subsidiaries have appointed PwC as their external auditor. All except two of the overseas subsidiaries have also appointed PwC or its affiliated firms as their external auditor. The Board and the ARC had reviewed the appointment of a different auditor for its two overseas subsidiaries and were satisfied that the appointment of one different auditor for the two overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

The Company is in compliance with Rules 712, 715 and 716 of the Listing Rules in relation to its external auditors.

**Whistle-blowing Policy**

In FY2019, the ARC reviewed and approved refinements to the Company’s whistle-blowing policy. The policy provides employees and external parties (who have business relationships with the Group) with an avenue to raise concerns in good faith, on a confidential basis without fear of reprisals, about possible improprieties, whether collusion, conflict of interest, violation of business ethics, unsafe work practices or otherwise. The policy’s objective is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The whistle-blowing policy is made available to all levels of employees during orientation together with the employee handbook, and is also posted on the Group’s intranet system in three different languages, namely English, Mandarin and Malay.

The communication channels for whistle-blowing reports are published on the Company’s website and are managed by the Company’s internal auditors who will assist the ARC in the enforcement of the whistle-blowing policy.

No whistle-blowing incidents were reported during FY2019.

**Disclosure on ARC’s activities**

In FY2019, the ARC held five meetings. In those meetings, the ARC reviewed, inter alia, the internal auditors’ report on interested person transactions and various reports on other areas of the Group’s business, the internal auditors’ audit plan and fee for the current financial year, the external auditors’ final audit report, key audit matters, the performance and independence of the external auditors, the quarterly and year-end announcements on financial statements, the Group’s quarterly and year-end performance, whistle-blowing policy and corporate governance matters. The ARC visited the Group’s properties in UK in 2019, together with the external auditors, PwC.

The ARC has been kept abreast on changes to the accounting standards and issues which have direct impact on the Group’s consolidated financial statements by the CFO and the external auditors during FY2019.

**ARC Member Restriction**

None of the ARC members are a former partner or director of or holds any financial interest in, the Company’s existing auditing firm or auditing corporation.

**Internal Auditors**

The ARC approves the appointment, removal, evaluation and fees of the outsourced internal audit function. During FY2019, the Group outsourced its internal audit function to an independent professional firm, RSM Risk Advisory Pte Ltd, to provide internal audit services, as recommended by the ARC.

The internal auditors report directly to the ARC Chair on internal audit matters and to the Group CEO on administrative matters. The internal auditors have unfettered access to the ARC, the Company's documents, records, properties and personnel.

**Resource and Standing of Internal Audit Function**

The ARC ensures the adequacy of the internal audit function by examining the scope of the internal auditors' work, the quality of their reports, their qualifications and training, their relationship with the external auditors and their independence of the areas reviewed.

**Qualification and Experience of Internal Auditors**

RSM Risk Advisory Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience.

**Professional Standards and Competency**

Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and having reviewed the functions and organisational structure of the internal auditors, the ARC is satisfied that the internal auditors meet the requisite standards, are adequately resourced, and have appropriate standing within the Group.

**Independence, Adequate Resourcing and Effectiveness of Internal Audit Function**

The ARC reviews, at least once a year, whether the internal audit function is independent, effective and adequately resourced. The ARC reviews and approves the internal audit plans and the resources required to adequately perform this function annually, to ensure the adequacy of the internal audit function.

During the internal audit process, the internal auditors endeavour to follow up on the identified inherent and operational risks of each business entity as well as the content of any management letter issued by the external auditors to ensure that the committed rectification measures have been implemented.

Following its review and assessment, the ARC was of the view that the internal audit function is independent, effective and adequately resourced.

**SHAREHOLDER RIGHTS AND ENGAGEMENT****Shareholder Rights and Conduct of General Meetings**

**Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

**Effective Shareholder Participation**

Shareholders are informed of general meetings at least 14 days in advance through notices, which are delivered to shareholders, published in a local newspaper and on SGXNet. The procedures at general meetings facilitate opportunities for shareholders to participate and communicate with the Directors.

In line with the Company's commitment towards environmental conservation, the Company makes available its annual reports by electronic communication, via publication on the Company's website, in place of a CD-ROM. Annual reports will continue to be made available on SGXNet and shareholders may continue to request for hard copies of annual reports if preferred.

**Shareholder Opportunity to Participate in and Vote at General Meetings**

Shareholders are entitled to participate effectively in and vote at all general meetings. The Company encourages all shareholders to attend its general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability.

Shareholders are informed of general meetings through notices which are sent to all shareholders, advertised in a local newspaper and also made available on SGXNet and the Company's website. General meetings are held at a central location, which is easily accessible by public transportation. All resolutions at general meetings are voted by way of electronic poll for greater transparency in the voting process. A polling agent and independent scrutineer are appointed to handle and brief the e-polling voting procedures and to count and validate the votes cast at the general meetings respectively, to ensure that the poll process is properly carried out. Votes cast for or against and the respective percentages on each resolution will be tallied and displayed 'live' on-screen to shareholders immediately after each poll is conducted. The total number of votes cast for or against the resolutions and the respective percentages will also be announced in a timely manner after the general meeting via SGXNet.

**Proxies**

The Company's Constitution allows shareholders to vote in person, by proxy or by attorney, at general meetings. Corporate shareholders can also appoint a representative to vote in their stead. A shareholder may appoint up to two proxies to attend and vote in his/her stead at a general meeting through a proxy form or certificate of corporate representative sent in advance. For shareholders who hold shares through nominees such as Central Provident Fund Board and custodian banks, they are able to attend and vote at general meetings under the multiple proxies regime.

**Separate Resolutions at General Meetings**

To safeguard shareholder interests and rights, at general meetings, each distinct issue is the subject of a separate resolution. All resolutions put to every general meeting of the Company are voted separately unless the resolutions are inter-dependent and linked so as to form one significant proposal. Detailed information on each item in the agenda of general meeting is provided in the explanatory notes to the notice of general meeting.

**Attendees at General Meetings**

All Directors, together with the Company's CFO, Financial Controller, Company Secretary, external auditors and external corporate governance and legal advisers attended the Company's last AGM held on 23 April 2019. The Company requests all its Directors, certain key management personnel, external auditors and external advisers to attend the Company's general meetings to address any questions raised by shareholders, whether the conduct of audit, the presentation and content of the auditors' report or otherwise. Shareholders are given the opportunity to communicate their views and discuss with the Board and key management personnel after the general meetings.

**Absentia Voting**

The Company's Constitution provides that the Board may, at its sole discretion, approve and implement voting methods to allow shareholders an option to vote in absentia, such as online voting or voting by mail, electronic mail or facsimile. Having considered that shareholders who are unable to attend in person may vote by proxy or by attorney, or in the case of a corporation, by a representative, and considered carefully the security and cost concerns related to absentia voting (with careful study needed to ensure that integrity of information and authentication of the identity of shareholders through the web are not compromised), the Company has refrained from implementing absentia voting.

**Minutes of General Meetings**

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. These minutes are available to shareholders upon request.

***Dividend Policy***

The Company's principle-based dividend policy is published on the Company's website. The Company is committed to achieving sustainable income and long-term capital growth for the benefit of shareholders and will strive to provide consistent and sustainable ordinary dividend payments to its shareholders on an annual basis. The Company has a scrip dividend scheme. If the scrip dividend scheme is applied to any dividend, payment will be made in compliance with the Listing Rules. The Board will review and refresh the dividend policy (which was established in FY2018) from time to time.

**Engagement with Shareholders**

**Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

***Shareholder Rights***

The Company practises fair and equitable treatment to all shareholders and stakeholders. To facilitate the exercise of ownership rights, the Company provides all material information, which would materially affect the price or value of the Company's shares, in an accurate and timely manner via appropriate media, to enable shareholders to make informed decisions. Such channels include announcements through SGXNet, the Company's website and shareholders' meetings. Materials include annual reports, sustainability reports, shareholder circulars, news releases and presentations to investors and analysts.

***Communication with Shareholders and Soliciting and Understanding Views of Shareholders***

The Company recognises the importance of regular, effective and timely communication with the shareholders.

The Company's main forum for dialogue with shareholders takes place at its AGM. To solicit and understand shareholders' views, shareholders are given the opportunity at the AGM to express their views and ask questions regarding the Company. The Company conducts surveys at each AGM to receive feedback from shareholders. To encourage greater shareholder participation, the AGM is held at a central location, which is easily accessible by public transportation. In FY2019, Management met with analysts and potential investors, which provided the Company with feedback and insights on the views of the investment community.

***Investor Relations Policy and Contact***

The Company has in place an Investor Relations ("IR") policy outlining the principles and practices adopted in the course of its investor relations activities, including communication with shareholders and the investment community. The policy reflects avenues for communication between shareholders and the Company, including shareholders' meetings, the Company's annual report and sustainability report, the information available on the Company's website, quarterly results announcements, meetings with analysts and media, and describes how shareholders may contact the Company should they have questions. The policy thus allows for an ongoing exchange of views with shareholders, thereby promoting regular, effective and fair communication. The policy is available on the Company's website at [www.fareastorchard.com.sg/ir\\_policy.html](http://www.fareastorchard.com.sg/ir_policy.html).

The Company has an IR team that facilitates two-way communication with the investment community. Communication with investors has been, and may be made through email correspondences and telephone calls. The Company responds to queries based on publicly available information, upholding the principle of no selective disclosure. Shareholders may email their questions to the IR team at [ir@fareastorchard.com.sg](mailto:ir@fareastorchard.com.sg), and these contact details are also published on the Company's website.

***Disclosure of Information on a Timely Basis***

The Company is committed to making timely, full and accurate disclosures in accordance with the Listing Rules and the Code. The Company keeps its shareholders informed of corporate developments on a timely basis. In addition to mandatory announcements, the Company also makes voluntary announcements on corporate transactions from time to time.

SGX RegCo has adopted a risk-based approach to quarterly reporting (“QR”) with effect from 7 February 2020. Companies that are of greatest concern to regulators and investors are required to do QR, while all other companies need only do half-yearly reporting. The Group is not required by the SGX RegCo to do QR. The Board has deliberated on this and decided that the Group will adopt half-yearly reporting from FY2020. Half-year results will be released no later than 45 days after the end of the half-year period. Full year results will be released no later than 60 days from the financial year end. The investor calendar is available on the Company’s website at [www.fareastorchard.com.sg/investor-calendar.html](http://www.fareastorchard.com.sg/investor-calendar.html).

Notices of general meetings are dispatched to shareholders, together with explanatory notes on a timely basis in accordance with the legal requirements.

For FY2019, a blackout period of two weeks before the announcement of the Company’s financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company’s full year financial statements was observed. During this period, the Company had limited interactions with investors and analysts and avoided commenting on financial results, operational performance and market outlook, except where required under the Listing Rules.

## **MANAGING STAKEHOLDERS RELATIONSHIPS**

### **Engagement with Stakeholders**

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

#### ***Identification and Engagement of Material Stakeholders***

The Company’s material stakeholders are listed in its Sustainability Report. They are the Company’s shareholders, its Board, its employees, customers, and business partners. The Sustainability Report also outlines how relationships with these material stakeholders are managed.

The Group’s policies including the Board Diversity Policy, the Dividend Policy and Scrip Dividend Scheme, the Investor Relations Policy, the Security Trading Policy and Whistle-blowing Policy facilitates the Group’s engagement with its material stakeholders. Further details of the Group’s engagement with its key stakeholders in FY2019 are described in the Sustainability Report 2019 which is available at the Company’s corporate website at [www.fareastorchard.com.sg/sustainability.html](http://www.fareastorchard.com.sg/sustainability.html). The Sustainability Report outlines the Group’s policies, practices, performance and targets in relation to its Economic and Environmental, Social and Governance activities. Developed in accordance with the Global Reporting Initiative Standards 2016 (Core option), the Group endeavours to communicate how sustainability is embedded in its business practices and value chain across its operations in the report. The Board adopted a Stakeholder Engagement Policy in February 2020.

#### ***Corporate Website***

The Company maintains a current corporate website to communicate and engage with its stakeholders. There is a dedicated investor relations section on its corporate website which serves as a repository for shareholders and the investment community, ensuring that they can easily access relevant and up-to-date information about the Company. It includes the Company’s latest announcements, financial results, annual reports, sustainability reports, stock information, and investor relations contact. Members of the public may also subscribe to RSS feeds of all announcements and press releases issued by the Company through its corporate website.

## **ADDITIONAL INFORMATION**

### **Business Conduct and Ethics**

The Group is guided by its Code of Conduct and Employee Handbook which are published on the intranet. The Code of Conduct and Employee Handbook explains the Group’s core values, encapsulated in BUILD, which stands for Business with Grace, Unity, Integrity, Love and Diligence. The Group seeks to build and maintain a strong ethical organizational culture through its core values.

The Code of Conduct and Employee Handbook outline the standards of ethics and behaviour in the way the employees are to conduct themselves in relationships with customers, suppliers, business partners and colleagues. It addresses several aspects including confidentiality, conflict of interest, the offering and receipt of gifts, entertainment, business dealings, intellectual property, workplace conduct, workplace health and safety, discipline, grievance handling and whistle-blowing.

The Group has a Competition Compliance Manual which forms part of the Employee Handbook. This Manual reminds Directors, employees and representatives of the Group's commitment to compliance with the Competition Act of Singapore and to maintain the highest level of ethics in the conduct of its business. It was developed to help these stakeholders to understand the basic principles of the Group's competition law compliance policy.

The Group's policies and work procedures incorporate internal controls to ensure adequate checks and balances are in place, and to help detect and prevent any form of fraud, bribery or dishonesty by employees.

### **Dealings in Securities**

The securities trading policy is an internal compliance code devised and adopted by the Company as a listed issuer, to provide guidance on dealings in its securities. The policy reflects the Company's adoption of the best practices on dealings in securities set out in Rule 1207(19) of the Listing Rules.

The policy was reviewed and updated in FY2019, guided by the Principles of Best Practice – Handling of Confidential Information and Dealings in Securities issued jointly by the SGX-ST with other associations in December 2017, the Corporate Disclosure Policy in the Listing Rules and prevailing provisions of the Securities and Futures Act.

On an annual basis, the Company issues its securities trading policy addressed to its officers (including the Company's Directors, persons employed in an executive capacity and the Company Secretary) and any persons who come into possession of material information of the Group before its public release, where they are reminded to refrain from dealing in the securities of the Company:

- (i) during the two weeks before and up to the date of announcement of the Company's first three quarters' results and during the one month before and up to the date of announcement of the full year results; and
- (ii) on short term considerations.

As the Company has adopted half-yearly reporting, the prohibited period from dealing in the Company's securities will be revised to two weeks before and up to the date of the announcement of the Company's half-year results and during the one month before and up to the date of the announcement of the full year results.

The Company also issues a quarterly circular to its officers reminding them of the prohibited period from dealing in the Company's securities before the release of the results and at any time if they are in possession of unpublished material price-sensitive information.

### **Material Contracts**

Save for the transactions set out in the Company's circular to shareholders dated 24 June 2013 and the related parties transactions as disclosed in the Financial Statements and this Annual Report, no material contract involving the interests of any Director or controlling shareholder of the Group has been entered into by the Company or any of its subsidiaries during the financial year and no such material contract is subsisting as at 31 December 2019.

### **Interested Person Transactions**

The Company has a policy on how proposed interested person transactions ("IPTs") are to be reviewed and approved, to ensure IPTs are conducted fairly and on an arm's length basis. The IPT policy is detailed in the IPT general mandate ("IPT Mandate") which was approved by shareholders at an Extraordinary General Meeting of the Company held on 9 July 2013. The IPT Mandate is submitted annually to shareholders for approval at each AGM. The IPT Mandate to be submitted for shareholders' approval at the forthcoming AGM will be set out in the Letter to Shareholders to be issued. IPTs carried out during FY2019 which fall under Chapter 9 of the Listing Rules are as follows.

CORPORATE  
GOVERNANCE

Name of interested person	Nature of relationship	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Rules	Aggregate value of all IPTs during the financial year under review
		(excluding transactions less than S\$100,000)	(excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		12 months ended 31 December 2019 S\$'000	12 months ended 31 December 2019 S\$'000
<b>Agape Laundry Pte. Ltd.</b> Supply of goods and services	Associate of controlling shareholder	(789)	–
<b>Boo Han Holdings Pte Ltd</b> Hospitality management income Transaction with an interested person in relation to a conditional purchase and sale agreement for the joint purchase of a plot of land and hotel to be constructed thereon in Japan <sup>1</sup>	Associate of controlling shareholder	760 –	– (1,201)
<b>China Classic Pte Ltd</b> Hospitality management income	Associate of controlling shareholder	113	–
<b>Dollar Land Singapore Private Limited</b> Hospitality management income	Associate of controlling shareholder	331	–
<b>Far East Hospitality Real Estate Investment Trust</b> Management income <sup>2</sup> Rental expense on operating leases - offices - hotels and serviced residences	Associate of controlling shareholder	4,045 (1,113) (22,664)	– – –
<b>Far East Management (Private) Limited</b> Management service fees Hospitality services Project management service fees Sale of property units <sup>3</sup>	Associate of controlling shareholder	(2,013) (2,172) (111) –	– – – 43,900
<b>Far East Organization Centre Pte. Ltd.</b> Hospitality management income	Associate of controlling shareholder	2,234	–
<b>Far East Property Sales Pte. Ltd.</b> Sales and marketing services fees	Associate of controlling shareholder	(103)	–

**Notes:**

<sup>1</sup> As set out in the Group's announcement dated 28 May 2018.

<sup>2</sup> Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("FEH-REIT") dated 1 August 2012 (as amended, varied or supplemented from time to time) (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of FEH-REIT) and DBS Trustee Limited (in its capacity as the trustee of FEH-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed). During the financial year ended 31 December 2019, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial year, being the value at risk to the Group.

<sup>3</sup> On 23 August 2019, Woodlands Square Pte. Ltd. ("WSPL"), a joint venture by the Group's wholly-owned subsidiary, Tannery Holdings Pte Ltd with Far East Civil Engineering (Pte.) Limited and Sekisui House, Ltd for the proposed development of a land parcel at Woodlands Square ("Woods Square"), entered into an option to purchase, a sale and purchase agreement and a side letter with Far East Management (Private) Limited ("FEM"), a member of Far East Organization, for the sale of 3 property units at Woods Square from WSPL to FEM.

Name of interested person	Nature of relationship	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Rules (excluding transactions less than S\$100,000)	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		12 months ended 31 December 2019 S\$'000	12 months ended 31 December 2019 S\$'000
<b>Far East Real Estate Agency Pte. Ltd.</b> Property management services	Associate of controlling shareholder	(295)	–
<b>Far East Rocks Pty Ltd</b> Rental expense on operating leases - hotel	Associate of controlling shareholder	(1,179)	–
<b>Far East Soho Pte. Ltd.</b> Hospitality management income	Associate of controlling shareholder	1,591	–
<b>Fontaine Investment Pte. Ltd.</b> Hospitality management income	Associate of controlling shareholder	2,154	–
<b>Golden Development Private Limited</b> Hospitality management income	Associate of controlling shareholder	2,623	–
<b>Golden Landmark Pte Ltd</b> Hospitality management income	Associate of controlling shareholder	1,455	–
<b>Kitchen Language Pte. Ltd.</b> Supply of goods and services	Associate of controlling shareholder	(148)	–
<b>Orchard Mall Pte. Ltd.</b> Hospitality management income	Associate of controlling shareholder	892	–
<b>Orchard Parksuites Pte Ltd</b> Hospitality management income	Associate of controlling shareholder	1,462	–
<b>Oxley Hill Properties Pte Ltd</b> Hospitality management income	Associate of controlling shareholder	572	–
<b>Riverland Pte Ltd</b> Hospitality management income	Associate of controlling shareholder	443	–
<b>Serene Land Pte Ltd</b> Hospitality management income	Associate of controlling shareholder	1,769	–
<b>Splendid Properties Pte Ltd</b> Rental expense on office operating leases	Associate of controlling shareholder	(125)	–
<b>Transurban Properties Pte. Ltd.</b> Hospitality management income	Associate of controlling shareholder	1,729	–