

CORPORATE GOVERNANCE REPORT

The Directors and Management of Thomson Medical Group Limited (the "**Company**" or "**TMG**") are committed to achieving high standards of corporate governance, to promote corporate transparency and to enhance shareholder value. It firmly believes that a good corporate governance is essential to the sustainability of the Company's business and performance.

We confirm that the Company has adhered to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "**Code**") where applicable, and has identified and explained areas of non-compliance in this report.

The Annual Report should be read in totality for the Company's full compliance.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Board's Leadership and Control

The Board is collectively responsible for providing overall strategy and direction to the Management and the Group. Through the Board's leadership, the Group's businesses are able to achieve sustainable and successful performance.

The principal functions of the Board are as follows:

- (a) decide on matters in relation to the Group's activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- (b) oversee the business and affairs of the Company, establish, with Management, the strategies and financial objectives to be implemented by Management and monitor the performance of Management;
- (c) oversee process for evaluating the adequacy and effectiveness of internal controls and risk management systems;
- (d) set the Company's values and standards (including ethical standards); and
- (e) consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Matters requiring the Board's decision and approval include:

- (a) major funding proposals, investments, acquisitions and divestments including the Group's commitment in terms of capital and other resources;
- (b) the annual budgets and financial plans of the Group;
- (c) annual and quarterly financial reports;
- (d) internal controls and risk management strategies and execution;
- (e) approval of transactions involving conflict of interest for a substantial shareholder or a Director or interested person transactions; and
- (f) appointment of directors and key management staff, including review of their performance and remuneration packages.

The Group has in place, financial authorisation limits for matters such as operating and capital expenditure, credit lines and acquisition and disposal of assets and investments, which require the approval of the Board.

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Codes of Conduct and Practices

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. The Board has adopted a Code of Conduct and Ethics (including Conflicts of Interest) for Directors. This guides Directors in the discharge of their duties, requiring them to adhere to the highest standards of integrity and accountability. This Code covers key areas such as conflicts of interest, duty of confidentiality, loans to directors, directors' declaration of interest under the Companies Act, external appointments and dealings in shares. The Group also has an existing Code of Business Ethics and Employee Conduct Policy (Ethics Code), which is posted on the Company's intranet website, to regulate the ethical conduct of its employees. Codes of conduct and practices covering data protection and workplace health and safety are also posted on the Company's intranet website.

However, to ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which would submit its recommendations or decisions to the Board. The Board Committees constituted by the Board are the Audit and Risk Management Committee ("ARMC"), Remuneration Committee ("RC"), Nominating Committee ("NC"), Investment Committee ("IC") and Corporate Disclosure Committee ("CDC"). Each of these Board Committees has its own terms of reference setting out its duties and responsibilities which have been approved by the Board and reviewed on a regular basis.

The Board also sets the Group's values and standards and ensures that obligations to shareholders and other stakeholders are understood and met. Each member of the Board abstains from voting on any resolutions and making any recommendations and/or participating in respect of matters in which he/she is interested.

Board Attendance

The Board meets at least on a quarterly basis and as warranted by particular circumstances. The Board met six times in the financial year ended 31 December 2018 ("FY2018"), of which four were regular quarterly meetings and two were meetings to discuss other important and strategic matters.

Apart from board meetings, important or urgent matters concerning the Group are also presented for the Board's information or decision by way of written resolutions, fax, electronic mail or telephone conferencing.

If a director were unable to attend a board or board committee meeting, he or she would still receive all the papers and materials for discussion at that meeting. He or she would review them and advise the Chairman or board committee of his or her views and comments on the matters to be discussed, so that they may be conveyed to other members at the meeting.

A Director who is unable to attend any meeting in person may participate via tele-conference.

The table below sets out the attendance at meetings convened during the course of the financial year.

Name of Director	Board	ARMC	NC	RC	IC
Number of Meetings	6	4	2	3	-
Number of Meetings Attended					
Ng Ser Miang	6	-	2	3	-
Chan Lay Hoon ⁽²⁾	6	-	-	-	-
Quek Hong Sheng Roy ⁽¹⁾	4	-	-	-	-
Tan Wee Tuck ⁽²⁾	6	-	-	-	-
Lai Huen Poh ⁽²⁾	5	-	-	-	-
Heng Kim Chuan Freddie ⁽¹⁾	4	3	1	-	-
Ong Pang Liang	6	4	-	2	-
Gary Ho Kuat Foong	6	4	1	3	-
Dr. Lam Lee G ⁽²⁾	2	1	1	1	-

Note:

- Mr. Quek Hong Sheng Roy was appointed as Executive Director and Chief Executive Officer, Healthcare with effect from 25 April 2018.
Mr. Heng Kim Chuan Freddie was appointed as Non-Executive Non-Independent Director with effect from 25 April 2018.
- Dr. Lam Lee G resigned as Independent Director with effect from 25 April 2018.
Ms. Chan Lay Hoon resigned as Deputy Chairman and Non-Executive Non-Independent Director with effect from 31 January 2019.
Mr. Tan Wee Tuck resigned as Executive Director and Chief Executive Officer, Real Estate with effect from 31 January 2019.
Mr. Lai Huen Poh resigned as Executive Director and Senior Managing Director, RSP with effect from 31 January 2019.

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Training for Directors

Upon the appointment of a Director, the New Director will be provided with a formal letter setting out the key duties and responsibilities. New Director will receive comprehensive and tailored induction on joining the Board. This includes an orientation programme by Management which covers the key information, corporate structure, businesses and financials. The orientation programme will ensure that New Director is familiar with the duties as a director, as well as the business and governance practices of the Group. In addition, New Director will be introduced to the senior management during the orientation, thereby facilitating interaction and independent access to the senior management. Training will also be provided for first-time director in areas such as accounting, legal and industry-specific knowledge where appropriate.

Directors are updated regularly on changes in relevant laws and regulations, industry developments, business initiatives and challenges and analyst and media commentaries on matters related to the Company and its businesses. Apart from the Directors' ongoing training, Directors are informed and encouraged to attend, at the Company's expense, relevant training programmes conducted by Singapore Institute of Directors, Stock Exchange, and other business and financial institutions and consultants.

Directors may, at any time, request for further explanation, briefings or informal discussions on any aspect of the Group's operations or business issues from Management. They are also informed about matters such as the Code of Dealings in the Company's shares as they are privy to price sensitive information.

Board Composition and Guidance

Principle 2: Strong and Independent Board

For FY2018, the Board comprises eight members, three Independent Directors, two Non-Executive and Non-Independent Directors and three Executive Directors. The Independent Directors make up more than one-third of the Board. Each Director has been appointed on the strength of his/her calibre and experience.

The Board and NC are of the view, given the nature and scope of the Group's operations, that the composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies. The Board consists of high calibre members with a wealth of knowledge, expertise and experience. The Board has contributed valuable direction and insight, drawing from their vast experiences in matters relating to business/management, accounting/finance, legal, industry knowledge, strategic planning, customer relations and general corporate matters. At board meetings, the Directors discussed corporate strategy, budgets and financial objectives as well as challenges arising from changes in the evolving competitive landscape, openly debate and exercise objective judgement, while always acting in the best interests of all shareholders.

The Non-Executive Directors, who make up more than half of the Board constructively challenge, and help develop proposals on strategy and review Management's performance in meeting performance targets and objectives and monitor the reporting of performance.

Review of Directors' Independence

The NC reviews annually whether a Director or potential candidate for the Board is considered an independent director bearing in mind the Code's definition of an 'independent director' and guidance as to the relationship, the existence of which would deem a Director not to be independent (Guideline 2.3).

Each Independent Director is required to declare on an annual basis whether he/she considers himself/herself to be independent and whether he/she has any relationships which would interfere, or be reasonably perceived to interfere with the exercise of his/her independent business judgement. All Independent Directors have confirmed their independence as defined in the Code. All Directors are also required to disclose their interests to the Board whenever there is a change in their interests. Taking into account the views of the NC, the Board also assesses whether each Independent Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

The NC has reviewed the independence of Mr. Ng Ser Miang, Mr. Ong Pang Liang and Mr. Gary Ho Kwat Foong and is satisfied that there are no relationships which would deem any of them not to be independent. As at the date of this report, there is no Independent Director who has been appointed for more than nine years from the date of his first appointment.

Key information regarding the Directors, including directorship and chairmanship both present and those held over the preceding three years in other listed companies, and other principal commitments, are set out in the Board of Directors' section and on pages 12 to 18 which provide further information on them.

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Chairman and Chief Executive Director

Principle 3: Clear division of responsibilities between Chairman and Chief Executive Officer (“CEO”) to ensure a balance of power and authority

The Chairman and CEO of the Company are separate persons. The Chairman is a Non-Executive and Independent Director and also chairs the NC. He sets the agenda for Board meetings, ensures that adequate time is available for discussions of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contributions of non-executive Directors, and ensures effective communications with shareholders. He takes a lead role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

The Chairman and the CEO are not related. The CEO bears executive responsibility for the Group’s business and implements the Board’s decisions. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Company does not have any lead Independent Director given that the Chairman and CEO are not the same person and are not immediate family members, and that the Chairman is not part of the Management team and is an Independent Director.

Board Membership

Principle 4: Formal and transparent process for appointment and re-appointment of directors.

The Board reviews the composition of the Board and Board Committee periodically, taking into account the need for progressive renewal of the Board and each Director’s competencies, commitment, contribution and performance.

To ensure that the governance and business needs of the Group are adequately addressed, the NC regularly reviews the capabilities of the Directors collectively by taking into account their skills, experience, diversity, and company and industry knowledge.

The NC currently comprises three members, the majority of whom (including the NC Chairman) are Independent Directors.

Two NC meetings were held during the financial year ended 31 December 2018.

The functions of the NC include the following:

- (a) to identify candidates for nomination and make recommendations to the Board on all board appointments;
- (b) to re-nominate directors, having regard to the director’s contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director;
- (c) to determine annually whether a director is independent;
- (d) to review the balance and diversity of skills, experience, knowledge and competencies of the Board, and its size and composition;
- (e) to develop and recommend to the Board as a process for evaluation of the performance of the Board, Board Committee and directors;
- (f) to assess the effectiveness of the Board, the Board Committees and the contribution by each individual director to the effectiveness of the Board;
- (g) to review and recommend to the Board the succession plans for directors, in particular, the Chairman and the CEO;
- (h) to review and recommend the training and professional development programmes for the Board; and
- (i) to review the succession plans and the development programme for key executives.

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The NC regularly reviews the balance and mix of expertise, skills and attributes of the Directors in order to meet the business and governance needs of the Group.

Process for selection of new directors

The NC shortlists candidates with the appropriate profile for nomination or re-nomination and recommends them to the Board for approval. It looks out for suitable candidates to ensure continuity of Board talent. Some of the selection criteria used are integrity, independent-mindedness, diversity, ability to commit time and effort to the Board, track record of good decision-making, experience in high-performing companies and financial literacy. The Committee may seek advice from external search consultants where necessary.

During the meeting in February 2019, the NC has endorsed the appointment of Mr. Lim Wee Kiat as Non-Executive and Non-Independent Director and Mr. Wilson Sam as Executive Director and Chief Financial Officer of the Group ("**CFO**"). The NC took into consideration the directors' academic qualifications, experience and expertise and has made a recommendation to the Board for the approval of the appointments. Mr. Lim and Mr. Sam were appointed by the Board on 15 March 2019.

The Board does not have alternate directors as recommended by Guideline 4.5 of the Code.

Directors' time commitment

Where a Director has multiple Board representations, the NC will evaluate whether or not the Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The Board is of the view that a limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors such as whether they are in full-time employment and their other responsibilities. A Director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of the Company.

The NC takes into account, among other things, in its annual review of each Director's ability to commit time to the affairs of the Company, the attendance records of the Directors at meetings of the Board and Board Committee, the competing time commitments faced by any such individual with multiple board memberships as well as their principal commitments.

The NC is satisfied that in FY2018, despite their other listed company board representations and other principal commitments, each of the Directors was able to give sufficient time and attention to the affairs of the Company, and was able to adequately carry out his/her duties as a Director of the Company.

Re-nomination of directors

Article 105 of the Company's Constitution ("**Constitution**") requires at least one-third of the Board to retire by rotation and subject themselves to re-election by shareholders at every AGM. This means that no Director stays in office for more than three years without being re-elected by shareholders.

Mr. Heng Kim Chuan Freddie and Mr. Gary Ho Kwat Foong will retire at the conclusion of the forthcoming AGM pursuant to Article 105 of the Constitution. Mr. Gary Ho will not seek for re-election. Mr. Heng has consented to re-election. The NC has recommended to the Board, the re-election of Mr. Heng. In making its recommendation the NC has taken into consideration the contribution and performance of Mr. Heng. The Board has accepted the NC's recommendation. Mr. Heng has abstained from the deliberation of the NC and the Board in respect of this nomination for re-election as Director.

The Constitution of the Company requires a Director appointed by the Board to hold office only until the next AGM and shall be eligible for re-election. Accordingly, Mr. Lim Wee Kiat and Mr. Wilson Sam who were appointed by the Board on 15 March 2019 will retire at the forthcoming AGM. Mr. Lim and Mr. Sam have consented to stand for re-election at the forthcoming AGM.

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Succession planning

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives.

The composition of the Board and Board Committees are set out below:

Name of Director	Date of first appointed/last re-appointment as Director	Board	ARMC	NC	RC	IC	CDC
Executive Directors							
Quek Hong Sheng Roy	25 April 2018/ NA	Member	-	-	-	-	Member
Wilson Sam	15 March 2019/ NA	Member	-	-	-	-	-
Tan Wee Tuck ⁽¹⁾	25 September 2013/ 26 April 2017	Member	-	-	-	-	Member
Lai Huen Poh ⁽¹⁾	25 September 2013/ 26 April 2017	Member	-	-	-	-	-
Non-Executive Non-Independent Director							
Heng Kim Chuan Freddie	25 April 2018/ NA	Member	Member	Member	-	Member	-
Lim Wee Kiat	15 March 2019/ NA	Member	-	-	-	-	-
Chan Lay Hoon ⁽¹⁾	1 December 2015/ 24 April 2018	Deputy Chairman	-	-	-	Chairman	-
Independent Directors							
Ng Ser Miang	1 December 2015/ 24 April 2018	Chairman	-	Chairman	Member	-	Member
Ong Pang Liang	1 January 2016/ 24 April 2018	Member	Chairman	-	Member	Member	Chairman
Gary Ho Kwat Foong	1 March 2015/ 26 April 2017	Member	Member	Member	Chairman	Member	-

Note:

1. Resigned on 31 January 2019

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Board Performance

Principle 5: Formal assessment of the effectiveness of the Board, Board Committees and contribution of each Director

The NC reviews the performance of the Board, Board Committees and individual Directors on an annual basis, based on performance criteria as agreed by the Board, and decides how this may be evaluated.

The Board has a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by the Chairman and individual Directors to the effectiveness of the Board.

The Board evaluation process involves having Directors complete a Questionnaire seeking their views on various aspects of the performance of the Board and Board Committees, such as Board composition, information, process and accountability. The Company Secretary compiles Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the NC meeting and also shared with the Board. The NC assessed the performance of the Board as a whole, based on performance criteria (determined by the NC and approved by the Board), such as the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with Management. The performance criteria do not change from year to year, unless the NC is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the Code.

The Company also conducted a peer and self-evaluation to assess the performance of individual Directors. Performance criteria include factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, functional expertise, and commitment and dedication. The results of the peer and self-evaluation are compiled by the Company Secretary and reviewed by the NC. The assessment will then be discussed with the Chairman.

Based on the results of the review, the NC is satisfied that the Board and its Board Committees are able to carry out and execute their duties and responsibilities effectively.

Access to Information

Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis

Complete, adequate and timely information

The Board is provided with quarterly financial accounts, and other financial statements and progress reports of the Group's business operations and performance reports by Management. The quarterly financial results and annual budget are presented to the Board for approval. The monthly internal financial statements are made available to members of the Board. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period. The Board also receives regular updates on the industry and technological developments. Such reports enable Directors to keep abreast of key issues and developments in the industry, as well as challenges and opportunities for the Group.

As a general rule, board papers are sent to Directors one week in advance in order for Directors to be adequately prepared for the meeting. Senior Management attends Board meetings to answer any query from the Directors. The Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and be provided with such additional information as needed to make informed and timely decisions.

Company Secretary

The Company Secretary works closely with the Chairman in setting the agenda for board meeting. She attends all Board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include keeping the minutes of all board meetings, ensuring good information flow within the Board and its Board Committee, and between Management and non-executive Directors. The Company Secretary also organises orientation and training for new Directors, as well as provides updates and advises Directors on all governance matters. The Constitution provides that the appointment and removal of the Company Secretary is subject to the approval of the Board.

The Board is encouraged to take independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, the Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties at the Company's expense.

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REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: Formal and transparent procedures for fixing remuneration packages of directors

The RC currently comprises three members, all of whom (including the RC Chairman) are Independent Directors. Three RC meetings were held in FY2018.

The functions of the RC include the following:

- (a) review and recommend to the Board of Directors a framework of remuneration for the Board, and key executives;
- (b) review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;
- (c) review all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share-based incentives and awards, and benefits in kind;
- (d) review and administer the share and other incentive scheme(s) adopted by the Company and to decide on the allocation to eligible participants under the said scheme(s); and
- (e) review the Company's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, where required, so as to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC has access to expert advice from independent consultants on remuneration policies.

Level and Mix of Remuneration

Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management

The Company takes into account its long term interests and risk policies and has structured remuneration packages on measured performance indicators, taking into account financial and non-financial factors. The details are set out under Principle 9.

Disclosure on Remuneration

Principle 9: Clear disclosure on remuneration policy, level and mix

Directors' remuneration

Each Non-Executive Director's remuneration comprises a basic fee and an attendance fee. The Chairman of each Board Committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

The RC reviews the framework for Non-Executive Directors' remuneration taking into consideration the demands and responsibilities of the Non-Executive Directors, prevailing market conditions and referencing directors' fees against comparable benchmarks, while bearing in mind the overall performance of the Group. The total fees payable to Directors is subject to approval by the shareholders at the Annual General Meeting ("AGM").

The remuneration policy for the Executive Directors consists of two key components, that is, fixed cash and annual variable. The fixed component includes salary, provident fund contributions and other allowances. The variable component comprises a performance-based bonus which is payable on the achievement of individual and corporate performance targets and takes into account the risk policies. Executive Directors are not paid directors' fees. The remuneration policy has been endorsed by the RC and the Board.

No Director is involved in deciding his own remuneration.

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Details of Directors' remuneration for FY2018 are set out below: -

Remuneration band	Number of Directors	
	2018	2017
\$500,000 and above	1	-
\$250,000 and below \$500,000	2	3
Below \$250,000	6	5

Whilst the Code recommends that the Company fully disclose the remuneration of each individual Director and the CEO on a named basis, the Company has, given the sensitivity of remuneration matters, opted not to disclose the total remuneration of each individual Director in dollar terms to maintain confidentiality of the remuneration packages of these Directors. For the same reasons, the Company also does not provide an upper limit to the remuneration band of "\$500,000 and above".

A summary of the compensation for each individual Director for FY2018 is as follows:

	Directors' Fees (%)	Base/Fixed Salary (%)	Bonus and Benefits-in-kind ⁽¹⁾ (%)	Total (%)
Ng Ser Miang	100	-	-	100
Chan Lay Hoon	100	-	-	100
Quek Hong Sheng Roy	-	94	6	100
Tan Wee Tuck	-	96	4	100
Lai Huen Poh	-	92	8	100
Heng Kim Chuan Freddie	100	-	-	100
Ong Pang Liang	100	-	-	100
Gary Ho Kwat Foong	100	-	-	100
Dr. Lam Lee G ⁽²⁾	100	-	-	100

Note:

1. No options were granted in FY2018
2. Resigned on 25 April 2018

Remuneration of Key Management Personnel

The Company adopts a remuneration system that is responsive to the market element and performance of the Company and business divisions respectively.

The Code requires the remuneration of at least the top five key executives, who are not in the capacity of a Director or the CEO within bands of \$250,000, to be disclosed. However, due to commercial sensitivities, the Company believes that the disclosure of the remuneration of individual executives is disadvantageous to the business interest and long-term performance of the Group, especially in a highly competitive industry.

The Company had also not disclosed the total remuneration paid to its top five key executives (who are not Directors or the CEO) on a named basis or in aggregate, having regard to the sensitive and confidential nature of key executives' remuneration matters and to ensure the Company's competitive advantage in the retention of its key executives.

The Company adopts a remuneration policy for staff comprising a fixed component, a variable component, and benefits in kind. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company's and individual performance. The RC approves the bonus for distribution to staff based on the Company's and individual's performance.

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During the financial year under review, there are no employees in the Group who are immediate family members of a Director or the CEO, except as disclosed below.

A summary of the remuneration of employees who are immediate family members of a controlling shareholder or director for FY2018 is as follows:

Remuneration in the band from \$450,000 to \$500,000	
Tan Wee Tuck ⁽¹⁾	Executive Director and Chief Executive Officer, Real Estate is the nephew of the controlling shareholder, Mr. Lim Eng Hock
Remuneration in the band below \$250,000	
Vivien Heng Cheng Sim ⁽²⁾	An employee of the Group is the spouse of the Executive Director and Managing Director, RSP, Mr. Lai Huen Poh ⁽¹⁾

Notes:

(1) Resigned on 31 January 2019

(2) Retired on 30 November 2018

No termination, retirement and/or post-employment benefit was granted to any Director, the Chairman or the key executives for FY2018.

We have a share option scheme known as the "TMG (formerly known as Rowsley) Group Share Option Scheme 2012" which was approved by shareholders at the extraordinary general meeting held on 26 June 2012. The key terms of the share option scheme are set out in the circular dated 11 June 2012. No options have been granted under the scheme.

In addition, we have a share incentive scheme known as the "Share Grant Plan 2015" which was approved by shareholders at our extraordinary general meeting held on 29 April 2015. The key terms of the share incentive scheme are set out in the circular dated 14 April 2015. No shares have been awarded under the scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: Board presents the company's performance, position and prospects

The Board announces its quarterly and full-year financial results which present a balanced and informed assessment of the Company's performance, position and prospects, via public announcements and through SGXNET.

The Board takes adequate steps through the establishment of appropriate internal policies to ensure compliance with legislative and regulatory requirements, including requirements under the SGX Listing Manual.

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. The Company also provides the Board with monthly reports on its financial performance.

Risk Management and Internal Controls

Audit and Risk Management Committee

Principle 11: Sound system of risk governance and internal controls

The Board, supported by the ARMC, oversees the Group's system of internal controls and risk management. The ARMC is in turn advised by the internal auditors who review the adequacy and effectiveness of material internal controls, including financial, operational, compliance and information technology controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the ARMC.

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During the financial year under review, the ARMC had reviewed the reports submitted by the internal auditors relating to the audits conducted to assess the adequacy and effectiveness of the Company's internal control systems put in place. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses in financial reporting identified in the course of the statutory audit, if any, are highlighted by the external auditors to the ARMC.

Based on the work performed by the internal auditors, the statutory audit by the external auditors and reviews performed by Management, the ARMC is of the opinion that the Group has adequate and effective risk management systems and internal controls in place to mitigate critical and significant risks in the following areas: Financial, Operational, Compliance, and Information Technology Risks. The Board concurred with the ARMC.

While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that the financial information used within the business and for publication is reliable. In reviewing these controls, the Directors have had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

In addition, the ARMC and the Board has received assurance from the CEO and the CFO that (a) the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the operations and finances; and (b) the risk management and internal control systems are effective.

Principle 12: Establishment of an Audit Committee with written terms of reference

The ARMC currently comprises three members, majority of whom, are Independent Directors, including the ARMC Chairman. All members of the ARMC are Non-Executive Directors. None of the ARMC members is a former partner or director of the existing auditing firm or auditing corporation. The Board is of the view that the members of the ARMC are appropriately qualified and have recent and relevant accounting/financial management expertise or experience to discharge the functions of the ARMC. The ARMC serves as a channel of communication between the Board and the internal and external auditors. Four ARMC meetings were held in FY2018.

The ARMC meets the Company's internal and external auditors without the presence of Management, once a year to review accounting, auditing and financial reporting matters. This is to ensure that an effective control environment is maintained in the Group. The ARMC also reviews proposed changes in accounting policies and discusses the accounting implications of major transactions. In addition, the ARMC also advises the Board regarding the adequacy of the Group's internal controls and the content and presentation of its quarterly and annual financial statements.

Specifically, the key responsibilities of the ARMC include:

- (i) review the annual audit plans and audit reports of external and internal auditors;
- (ii) review the quarterly, half-yearly and full-year financial statements of the Group prior to their submission to the Board;
- (iii) review the significant financial reporting issues and judgements made by Management so as to ensure the integrity of the financial statements and any formal announcements relating to financial performance of the Group;
- (iv) review the assurance provided by the CEO and CFO regarding the financial records being properly maintained and the financial statements giving a true and fair view of the Group's operations and finances;
- (v) review and report to the Board at least annually the adequacy and effectiveness of the risk management and internal control systems, including financial, operational and compliance and information technology controls;
- (vi) review and make recommendations to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external auditors;
- (vii) review the scope, results and effectiveness of the external and internal audits, and the independence and objectivity of the external and internal auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;

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- (viii) review interested person transactions (“IPT”) to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Group or its minority shareholders; and
- (ix) review the Company’s whistleblowing policy, and to ensure that arrangements are in place for concerns about possible improprieties in matters of financial reporting or other matters to be raised and independently investigated, and for appropriate follow-up action to be taken.

The ARMC is authorised to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or Management to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

External Auditors

The ARMC has conducted an annual review of the performance of the external auditor and the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, before confirming their re-nomination. Details of the aggregate amount of fees paid to the external auditors for FY2018, and a breakdown of the fees in total for audit and non-audit services respectively, can be found on page 99.

Code of Dealings in Securities

The Group has in place a Code of Dealings in TMG’s securities, which prohibits dealings in TMG securities by all Directors of the Company and its subsidiaries, and certain employees, within certain trading periods. The “black-out” periods are two weeks prior to the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month prior to the announcement of the Company’s full year financial statements. Directors and employees are also reminded to observe insider trading laws at all times, and not to deal in TMG securities when in possession of any unpublished price-sensitive information regarding the Group, or on short-term considerations. The Company issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealings in listed securities of the Group as set out above, in compliance with Rule 1207(19) of the SGX Listing Manual.

Whistleblowing Policy

The Group also has a Whistleblowing Policy which is posted on the Company’s corporate website, to allow staff and external parties such as suppliers, customers, contractors and other stakeholders, to raise concerns or observations in confidence to the Company, about possible irregularities for independent investigation and appropriate follow up action to be taken. Such concerns include dishonesty, fraudulent act, corruption, legal breaches and other serious improper misconduct, unsafe work practices and any other conduct that may cause financial or non-financial loss to the Group or damage to the Group’s reputation.

Internal Audit

Principle 13: Establishment of an internal audit function that is independent of the functions it audits

The Board believes it is crucial to put in place a system of internal controls of procedures and processes to safeguard the assets and shareholders’ interests, and to manage risks.

The ARMC has appointed BDO LLP as the internal auditors. The internal auditors report directly to the Chairman of the ARMC and report administratively to the CFO. The internal auditors have unfettered access to all of the documents, records, properties and personnel, including access to the ARMC.

The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The ARMC reviews the adequacy of the internal audit function annually to ensure that the internal audits are performed effectively. The findings and recommendations of the internal auditors, the management’s responses, and the management’s implementation of the recommendations have been reviewed and approved by the ARMC. The ARMC is of the view that the internal audit function is independent, effective and adequately resourced.

Investment Committee

The Board, supported by the IC, oversees the Company’s investment evaluations and making assessments as to the suitability and profitability of the Company’s participation in business projects. The key responsibilities of the IC, as set out in its terms of reference, include reviewing the Group’s investment management and activities, assessing and evaluating investment, development and divestment opportunities, overseeing strategies and issues impacting the Group’s overall risk profile, reviewing analysis of risks and assumptions associated with existing and new investments, and evaluating all investment, development and divestment opportunities which require the Board’s approval and making recommendations to the Board.

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Corporate Disclosure Committee

The Board, supported by the CDC, oversees the Company's corporate disclosure matters. The key responsibilities of the CDC, as set out in its terms of reference, include reviewing and approving certain SGXNet announcements and/or press release and pursuing best practices in terms of transparency disclosure.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Fair and equitable treatment of shareholders

The Group encourages shareholder participation, and ensures that shareholders have the opportunity to participate effectively at general meetings.

All TMG shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern the general meeting.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. Under the Constitution, ordinary shareholders are entitled to attend and vote at the general meeting by person or proxy.

To facilitate voting, the Constitution allows all shareholders (who are not relevant intermediaries as defined under the Companies Act, Chapter 50) who are unable to attend and vote, to appoint up to two proxies to attend general meetings and vote on their behalf.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All price-sensitive information is publicly released prior to any sessions with individual investors or analyst.

Communication with Shareholders

Principle 15: Regular, effective and fair communication with shareholders

We have put in place an investor relations policy. The Board is mindful of the obligation to provide regular, effective and fair communication to shareholders. In line with the continuous disclosure obligations pursuant to the rules of the SGX-ST Listing Manual and the provisions of the Companies Act, the Board endeavours to keep shareholders informed of all of the major developments on a timely basis. Where there is an inadvertent disclosure made to a select group, we will make the same disclosure via SGXNet and where relevant, followed by a news release. We disclose major events and pertinent information through SGXNet and press releases in various print media.

All results, corporate announcements and shareholder reports are issued promptly and within prescribed periods.

In addition, we have appointed an investor relations firm to promote effective communication with shareholders. Any questions from shareholders could either be raised to the investor relations firm or us. These will be addressed by Management and/or the relevant person-in-charge.

Analyst and/or media briefings will also be held, where necessary.

Following the amendments to the Listing Manual to allow listed companies to send documents to shareholders, including circulars and annual reports, using electronic communications, the Company also makes available a digital format of the Annual Report for FY2018 ("**Annual Report**"). The Annual Report, as well as the Company's Letter to Shareholders, are published on the Company's corporate website, www.thomsonmedicalgroup.com. All shareholders of the Company will receive the notice of AGM, proxy form and request form to request for hard copies of the Annual Report and/or Letter to Shareholders.

Any pay outs of dividends declared being interim or final will be clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results.

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Conduct of Shareholder Meetings

Principle 16: Greater shareholder participation at general meetings.

The Company is in full support of shareholder participation at general meetings. The general meeting procedures allow shareholders to raise questions relating to each resolution tabled for approval, and to participate, engage and openly communicate their views on matters relating to the Group.

The Company does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead.

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by electronic poll voting. Independent scrutineers are appointed to conduct the voting process and verify votes after each resolution. The results of electronic poll voting are announced instantaneously at the meeting. The outcome of the general meeting is promptly announced on SGXNET after the general meeting.

The Company prepares minutes of general meetings and makes these minutes available to shareholders upon their request.

All Directors, including the chairman of the ARMC, NC, RC, IC, and CDC, and Senior Management, are in attendance at the AGMs and Extraordinary General Meetings to allow shareholders the opportunity to air their views and ask Directors or Management questions regarding the Company. The external auditors also attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. The AGM is held within four months after the close of the financial year.

Other information

Interested person transactions

All transactions with interested persons are reviewed and reported to the ARMC for approval. The transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders. The Company's disclosures in respect of interested person transactions (IPT) for the financial year ended 31 December 2018 are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
Lim Eng Hock (controlling shareholder)	849	Nil

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its chief executive officer, directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.