

The Board and Management of UMS Holdings Limited (the “Company”) is committed to maintaining high standards of corporate governance and practices that are essential to protect the interest of shareholders. Excellence in corporate governance will not only enhance and safeguard the interest of all our shareholders; it will also foster the stability and sustainability of the Group’s performance that is crucial in the building of long-term shareholders’ value.

This report describes the Group’s corporate governance policies and processes with reference to the Code of Corporate Governance (the ‘Code’). The Board is pleased to confirm that for the financial year ended 31 December 2016, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

The Board’s Conduct of its Affairs – Principle 1

The Board comprises five Directors at the end of the year 2016, of which three, are Independent Directors. The Board provides entrepreneurial leadership, set strategic aims, and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. It also establishes a framework of prudent and effective controls which enable risks to be assessed and managed. In addition, it reviews management performance, set the Group’s values and standards, and ensure that obligations to shareholders and others are understood and met.

The key responsibilities of the Board include:

- Approving business direction and strategies;
- Monitoring management’s performance;
- Ensuring the adequacy, efficiency and effectiveness of internal controls, risk management procedures, financial reporting and compliance;
- Approving annual budget, major funding, investment and divestment proposals;
- Approving the nominations of the Board of Directors and appointments to the various Board committees; and
- Assuming the responsibility for overall corporate governance of the Group.

The Group has in place, a set of internal guidelines setting forth matters that require the Board’s approval. Matters that specifically require the Board’s approval are those involving:

- Release of all results and any other relevant announcements;
- Group’s annual budget;
- Appointment of directors and key personnel;
- Group’s corporate and strategic directions, key operational initiatives;
- Major funding and investment initiatives;
- Merger and acquisition transactions;
- Declaration of interim dividend and proposal of final dividends;
- Interested party transactions;
- Matters involving conflict of interests for substantial shareholders or directors; and
- All other matters of material importance.

To ensure smooth and effective running of the Group and to facilitate decision making, the Board has established various committees to assist in the discharge of its responsibilities. These committees operate under clearly defined terms of reference, which are headed by Independent Directors. The three committees are:

- Audit Committee (“AC”)
- Nominating Committee (“NC”)
- Remuneration Committee (“RC”)

The Board meets regularly at least four times a year, to coincide with the announcement of the Group’s quarterly results. Ad-hoc Board meetings are also convened as and when deemed necessary by the Board to address any specific or significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one. In lieu of physical meetings, written resolutions are also circulated for approval by the members of the Board.

CORPORATE GOVERNANCE REPORT

During the current financial year, the Board met four times. The Company's Constitution provides for the meetings of the Board by means of conference telephone or similar communications equipment. The number of Board meetings held and the attendance of each board member at the meetings for the year ended 31 December 2016 are disclosed below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No Held	No Attended	No Held	No Attended	No Held	No Attended	No Held	No Attended
Mr Luong Andy ^{+^}	4	4	N.A	N.A	1	1	N.A	N.A
Mr Loh Meng Chong Stanley ⁺	4	4	N.A	N.A	N.A	N.A	N.A	N.A
Mr Chay Yiowmin ^{#*}	4	4	4	4	1	1	4	4
Mr Oh Kean Shen ^{#*}	4	4	4	4	1	1	4	4
Ms Gn Jong Yuh Gwendolyn ^{#*} (Appointed on 5 May 2016)	3	3	3	3	0	0	3	3
Mr Soh Gim Teik ^{#*} (Retired on 28 April 2016)	1	1	1	1	1	1	1	1

- [^] Executive Chairman
- ⁺ Executive Director
- [#] Non-Executive Director
- ^{*} Independent Director

Mr Soh Gim Teik retired as Non-Executive Chairman and Independent Director and member of Audit, Nominating and Remuneration Committees of the Company after the close of business at the Annual General Meeting on 28 April 2016. On 5 May 2016, Ms Gn Jong Yuh Gwendolyn was appointed as an independent director of the Company.

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. Whenever a new Director is appointed on the Board, the Company ensures that the person receives appropriate training, briefing and orientation to enable him/her to discharge their duties effectively. There are update sessions to inform the Directors on new legislations and/or regulations which are relevant to the Group. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are briefed at Board meetings.

All the Directors are informed and encouraged to attend seminars, courses and other programmes, from time to time, in order to discharge their duties as directors. All the costs are borne by the Company.

All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations.

Board Composition and Balance – Principle 2

As at 31 December 2016, the Board comprises five directors. The Chief Executive Officer ("CEO"), who is also the Executive Chairman, is one of two Executive Directors whilst the remaining three Directors, are Non-Executive and Independent Directors of the Company. There is a strong independent element on the Board, with Independent Directors constituting more than half of the Board. They constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

The independence of each Independent Director is reviewed by the NC on an annual basis. Annually, each Independent Director is required to confirm his independence.

The NC and the Board has set in place a process to determine annually whether a Director who has served on the Board beyond nine years from the date of his first appointment, is independent, taking into account the need for progressive refreshing of the Board. Currently, no Independent Directors except Mr Oh Kean Shen has served on the Board for more than nine years. Mr Oh has expressed the desire to step down so as to enable board renewal. Upon the request of the Board, he has kindly agreed to stay until the Company finds a suitable replacement.

The Board has examined its size and is of the view that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

The Board reviews its composition from time to time and seeks to maintain a diversity of expertise, skills and attributes among the Directors. The Board comprises businessmen with vast business or management experience, industry knowledge, strategic planning experience and includes professionals with financial, accounting and legal backgrounds. Profiles of the Directors are found in the “Board of Directors” section of the Annual Report. The NC is satisfied that the current Board comprises persons who, as a group, provides core competencies, such as accounting or finance, business or management experience, industry knowledge and strategic planning experience, required for the Board to be effective.

Where necessary the independent directors may meet without the presence of the management of the Company.

Chairman and Chief Executive Officer – Principle 3

Mr Luong Andy is currently the Executive Chairman of the Board and also the Chief Executive Officer of the Group. The Board is of the view that accountability and independence have not been compromised despite the Chairman and Chief Executive Officer being the same person. The Chairman and Chief Executive Officer have defined responsibilities which, during his tenure so far, have not conflicted with each other. Major business proposals are discussed at Board meetings before decisions are made. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person. As the Chairman, Mr Luong’s responsibilities, among others, include the following:

- Lead the Board to ensure its effectiveness to all aspects of its role and set its agenda;
- Ensure that the directors receive accurate, timely and clear information;
- Ensure effective communication with shareholders;
- Encourage constructive relations between the Board and Management;
- Facilitate the effective contribution of Non-Executive Directors to the Board;
- Encourage constructive relations between the Non-Executive Directors and Executive Directors; and
- Promote high standards of corporate governance.

The Board has appointed Mr Chay Yiowmin as the Lead Independent Director and is of the view that there is sufficiently strong independent element on the Board to enable the independent exercise of objective judgement on corporate affairs of the Group by members of the Board, taking into account factors such as the number of independent directors on the Board, as well as the size and scope of the affairs and operations of the Group.

The Lead Independent Director is available to shareholders via y.chay@umsgroup.com.sg where they have concerns which contact through the normal channels of the Chairman and Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is not appropriate.

Board Membership – Principle 4

Guideline 4.1 – Composition of Nominating Committee

The appointment of new directors to the Board is recommended by the Nominating Committee (“NC”). The NC comprises three Non-Executive Directors and one Executive Director, namely Mr Oh Kean Shen, Mr Chay Yiwmin, Ms Gn Jong Yuh Gwendolyn and Mr Luong Andy.

Name	Role in NC	Role In Board
Mr Oh Kean Shen	Chairman	Independent and Non-Executive Director
Mr Luong Andy	Member	Chief Executive Officer and Executive Chairman
Mr Chay Yiwmin	Member	Independent and Non-Executive Director
Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)	Member	Independent and Non-Executive Director
Mr Soh Gim Teik (Retired on 28 April 2016)	Member	Chairman, Independent and Non-Executive Director

The Chairman of the NC is not directly associated with any substantial shareholder of the Company. The NC works within the written terms of reference, which describes the responsibilities of its members. The key terms of reference of the NC include the following:

- Make recommendations to the Board on all board appointments, retirements and re-nomination having regards to the director’s contribution and performance;
- Review and determine the independence of each director and ensure that the independent directors make up at least half of the Board;
- Review and decide if a director is able to and has been adequately carrying out his/her duties as a director of the Company, when he/she has multiple board representations; and
- Determine how the Board’s performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole.

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 duties as a Director of the Company, taking into consideration the Director’s number of listed company board representations and other principal commitments. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The Board has determined that a Director may hold up to 8 listed company board representations.

Currently, the Company does not have alternate directors.

Guideline 4.5 – Selection and appointment of new Director

In identifying for appointment of new Directors, the NC applies the following main principles:-

- The Board shall have a majority of Directors who are not substantial shareholders of the Company and are independent of the substantial shareholders of the Company; and
- The NC must be satisfied that each candidate is fit and proper for the position or office and is the best or most qualified candidate nominated for the position or office taking into account the candidate’s track record, age, experience, capabilities, and other relevant factors.

Under the Constitution of the Company, the Directors (excluding the Chief Executive Officer) are required to retire at least once every three years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election. The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the range of the experience and knowledge of the Board.

Board Performance – Principle 5

We believe that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led and managed.

Based on the recommendations of the NC, the Board has established a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. The NC has also established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual directors. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, the Board processes and accountability. Review of the Board's performance, as appropriate, is undertaken collectively by the NC annually and informally on a continual basis.

The NC is responsible for the following functions:-

- To make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors;
- To review and determine the independence of each director;
- To make recommendations to the Board on all nominations for appointment and re-appointment of directors;
- To implement a process for assessing the effectiveness of the Board as a whole and the contribution by each director;
- To evaluate the independence of each director as well as the size and composition of the Board;
- To propose the Board's performance evaluation criteria; and
- To review director training programs.

Access to Information – Principle 6

The Board members are given an update on the Group's financials, business plans and developments prior to board meetings and on an on-going basis. Management has an obligation to provide the Board with complete and adequate information in a timely manner. Board members are given full access to the Company's information and independent access to the Company's Management, including the Group Financial Controller and the Company Secretary. To ensure that the Board members have sufficient time to look through the materials and information, all board papers are sent to the members a few days before the Board meeting.

The Directors have separate and independent access to the Company Secretary. The Company Secretary assists the Chairman in ensuring that all board procedures are followed and that the Company's Constitution and applicable rules and regulations, including requirements of the Singapore Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with. The Company Secretary or her representatives also administer, attend and prepare the minutes of all Board and Board Committee meetings and assist the Chairman in implementing and strengthening corporate governance practices and processes. The Company Secretary is also the primary channel of communication between the Company and SGX-ST.

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

Each Director, whether individually or as a group, has the right to seek independent professional advice as and when necessary, in furtherance of their duties, at the Company's expense and with the approval of the Chairman.

Procedures for Developing Remuneration Policies – Principle 7

There should be a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee (“RC”) comprises the following Directors -:

Name	Role in RC	Role In Board
Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)	Chairman	Independent and Non-Executive Director
Mr Chay Yowmin	Member	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director
Mr Soh Gim Teik (Retired on 28 April 2016)	Member	Chairman, Independent and Non-Executive Director

The RC members comprise entirely of Non-Executive and Independent Directors. The members of the RC have extensive experience in the formulation and implementation of wage policies and compensation schemes. If necessary, the RC will seek expert advice on human resource matters or on remuneration of all directors, either within or outside the Company.

The RC’s responsibilities include the following:

- Recommending to the Board a framework of remuneration, and the specific remuneration packages for each director and key executives (including but not limited to director’s fees, salaries, allowances, bonuses, variable incentives, options and benefits in kind). If necessary, the RC will seek expert advice inside and/or outside the company on remuneration of all directors.
- Review the adequacy and form of compensation of executive directors in accordance with predetermined key performance indicators (“KPIs”) to ensure that the compensation realistically commensurate with the responsibilities and risks involved in being an effective executive director;
- The performance-related elements of remuneration are designed to align interest of executive directors with those of shareholders and link rewards to corporate and individual performance based on predetermined KPIs. These KPIs are appropriate and meaningful measures for the purpose of assessing executive directors’ performance;
- Recruiting executive directors of the Company and determining their employment terms and remuneration;
- Positioning the Company’s executive remuneration package relative to other companies or its competitors based on advice and recommendations by experts inside and/or outside the company;
- Reviewing and recommending to the Board the terms of renewal for those executive directors whose current employment contracts have expired, including reassessing KPIs;
- Ensuring adequate disclosure in the directors’ remuneration as required by regulatory bodies such as SGX-ST;
- Overseeing the payment of fees to non-executive directors;
- Reviewing and recommending to the Board the terms of renewal for material service contracts which are due to expire or have expired based on predetermined KPIs; and
- Reviewing the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors.

Level and Mix of Remuneration – Principle 8

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.

The RC adopts a formal procedure for fixing the remuneration packages of individual directors. In setting the remuneration package of the individual directors, the Company takes into consideration the following factors:

- Pay and employment conditions within the industry and in comparable companies;
- The Company’s relative performance and the performance of the individual directors;
- The attractiveness of the remuneration package so as to retain the directors and motivate them to run the Company successfully;
- Significance of performance related elements of remuneration; and
- Effort, time spent and responsibilities of the individual directors.

The remuneration policies for the Executive and Non-Executive Directors have been endorsed by the RC and the Board.

Currently, the Company does not have any long-term incentive schemes.

Disclosure on Remuneration – Principle 9**Executive Directors:**

Executive directors receive their remuneration in two key components, that is, fixed monthly salary and variable bonus and incentives. The fixed monthly salary includes car allowance and central provident fund contribution. The variable bonus and incentives depends largely on the performance of the Group. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Group will be able to reclaim incentive components of remuneration from the executive director.

Non-Executive Directors:

Non-Executive Directors are paid a director's fee on a quarterly basis in arrears. In determining the quantum of director's fees, factors such as effort and time spent, and responsibilities of the directors are taken into account. Non-Executive Directors are paid a basic fee and allowance for attending any additional meeting. An additional fee for serving as Chairman on any committee is also being paid to Non-Executive Directors. The RC ensures that none of the Non-Executive Directors are over-compensated to the extent that their independence may be compromised. The director's fees are subject to shareholders' approval at the Annual General Meeting.

The Company believes that, given the sensitive nature of remuneration, full disclosure of breakdown of remuneration of each individual director as well as the key management personnel is not advantageous to the Company.

Guideline 9.1 Remuneration Details of the Directors

The remuneration of Directors for the year ended 31 December 2016 is set out below:

Name of Director	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Directors Fees	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Non- Executive Directors						
Below S\$250,000						
Mr Chay Yiowmin	–	–	–	–	63,740	63,740
Mr Oh Kean Shen	–	–	–	–	58,739	58,739
Ms Gn Jong Yuh Gwendolyn # (Appointed on 5 May 2016)	–	–	–	–	24,493	24,493
Mr Soh Gim Teik # (Retired on 28 April 2016)	–	–	–	–	39,014	39,014
Executive Directors						
S\$2,500,000 to S\$2,749,999						
Mr Luong Andy	526,462	1,958,850	207,600	13,260	–	2,706,172
Name of Director	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Directors Fees	Total
	%	%	%	%	%	%
S\$250,000 to S\$499,999						
Mr Loh Meng Chong Stanley	45%	48%	4%	3%	–	100%

Remuneration figures are pro-rated

CORPORATE GOVERNANCE REPORT

Guideline 9.2 – Remuneration of the top five executives of the Group

The breakdown remuneration of the top 5 key executives (who are not Directors of the Company) in percentage terms for the year ended 31 December 2016 is set out below:

Name of Key Executive	Salary	Allowances	Bonus	Central Provident Fund Contribution	Total
	%	%	%	%	%
S\$250,000 to S\$499,999					
Mr Kay Tan Kian Hong	60%	0%	40%	0%	100%
Below S\$250,000					
Ms Khoo Guek Fong	32%	4%	59%	5%	100%
Mr Gobinath A/L Gunaselan	56%	7%	27%	10%	100%
Ms Pang Su Chun	66%	4%	19%	11%	100%
Mr Gajendran Rajendra Babu	66%	7%	13%	14%	100%

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2016 was S\$0.85M.

Other than as disclosed, the Company does not have any employee who is an immediate family member of a Director or CEO and whose remuneration exceeds S\$50,000 during the financial year.

Currently, the Company does not have any employee share scheme.

Accountability – Principle 10

The Board is accountable to the shareholders while the Management is accountable to the Board.

As defined in the Code, the Board presents to shareholders a balanced and understandable assessment of the Group's performance, position and prospect. The Management provides all Board members with management reports and accounts which represent balanced, understandable assessment of the Group's performance, position and prospects on a quarterly basis.

It is the Board's policy to provide the shareholders with all important and price sensitive information. These are done through the SGXNET during the quarterly announcements as and when necessary.

Audit Committee – Principle 12

The Audit Committee ("AC") comprises the following members:

Name	Role in AC	Role In Board
Mr Chay Yowmin	Chairman	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director
Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)	Member	Independent and Non-Executive Director
Mr Soh Gim Teik (Retired on 28 April 2016)	Member	Chairman, Independent and Non-Executive Director

The Audit Committee members have many years of experience in their respective fields of accounting, audit, financial management, law and business. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

The Audit Committee has the authority to investigate any matters within its terms of reference and the discretion to invite any director to attend its meetings. The management shall grant full cooperation and resources to enable it to discharge its functions properly. The roles and responsibilities of the AC are to:

- Recommend to the Board, the external auditors to be appointed and the remuneration and terms of engagement letter therein;
- Review with the internal and external auditors, the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with the internal auditors and external auditors, their evaluation of the adequacy of the system of internal accounting controls and compliance functions;
- Review the Group's audited annual report and other quarterly financial statements and related notes and formal announcements thereto; accounting principles adopted and the external auditors' report prior to recommending to the Board for approval;
- Review the nature, scope, extent and cost effectiveness of non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;
- Review any significant financial reporting issues, judgment and estimates made by the Management, so as to ensure the integrity of the financial statements of the Company;
- To review the cooperation given by the Management to the external auditors;
- Discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- Review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls via reviews carried out by the internal auditors; and
- Review interested party transactions on a regular basis.

In respect of the overall audit process, the AC has:-

- Provided an open avenue of communication between the external auditors, internal auditors, the Management and the Board; and
- Kept under review the scope and results of the external audit, internal audit, and their effectiveness and reported to the Board on any significant findings.

The AC is guided by its terms of reference which provides explicit authority to investigate any matters within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director and executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC has also put in place an anti fraud policy, whereby staff and business associates of the Group may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions.

The AC meets with external auditors, and with internal auditors, without the presence of the Company's Management, at least once a year.

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit. Moore Stephens LLP was appointed as the Company's external auditors on 7 November 2007. Mr Christopher Bruce Johnson was appointed with effect from financial year ended 31 December 2013 as the audit engagement partner in charge of the audit of the Company. The Company confirms that Rule 712 of the SGX-ST's Listing Manual is complied with.

The auditors of the Company's subsidiaries are disclosed in the notes to the financial statements in this annual report. The Company confirms that the Company and the Group has complied with Rule 715 of the SGX-ST's Listing Manual.

In the review of the Group's financial statements, the AC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the AC reviewed, amongst other matters, the key audit matters, as reported by the external auditors for the financial year ended 31 December 2016.

For FY2016, the total amount of fees in respect of statutory audit services provided by the external auditors for the Group amounted to approximately S\$206,000.

The Audit Committee is satisfied with the independence and objectivity of the external auditors during the financial year and has recommended to the Board the re-appointment of Moore Stephens LLP as external auditors at the forthcoming Annual General Meeting of the Company.

No former partner or director of the Company's existing auditing firm or auditing corporation, within a period of 12 months from the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation, is appointed to the AC.

Risk Management and Internal Controls – Principle 11 **Internal audit – Principle 13**

The Group has established a system of internal controls to address the financial, operational and compliance risks of the Group. The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's overall internal control framework, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives and the CEO and CFO have confirmed the adequacy and effectiveness of the internal controls and risk management systems and the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances. It should be noted, in the opinion of the Board, that no cost effective internal control system will preclude all errors and irregularities, as 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 misstatement or loss.

The AC selects and approves the appointment of the internal auditor ("IA"). The IA function of the Group is outsourced to KPMG Services Pte Ltd ("KPMG"). The IA reports to the AC. The AC had reviewed and approved the internal audit plan and reviewed the results of the internal audit. The AC is satisfied that the internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Group's IA conducts review in accordance with the audit plans of the Group's key internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvement are reported to Management and to the AC. The audit conducted by internal auditors will assist the AC in the assessment of and obtaining assurance on the adequacy, efficiency and effectiveness of the Group's internal control environment. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC is also satisfied that the IA is staffed by suitably qualified and experienced personnel.

During the financial year, Management had taken remedial actions recommended by the internal and external auditors in prior financial year so as to enhance certain internal control procedures. New areas of improvement were also recommended and implemented during the current financial year.

The Board also recognises the importance of establishing a risk management framework to facilitate the governance of risks and monitoring the effectiveness of internal controls. Accordingly, to facilitate the compliance of the Listing Manual, the Board has established a Risk Advisory Committee comprising key senior management executives during the financial year to advise the Board of the various financial, operational and compliance risks affecting the Group. Weightage were assigned to these risks and appropriate actions were taken to mitigate or avoid these risks. In addition, the Board sets the appropriate risk tolerance limits for each risk by considering the relative importance of the objectives. The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC.

The Company has commissioned KPMG to perform a risk assessment review and subsequently established a risk identification and management framework. In the Company, risks are identified and addressed, with the Board and senior management personnel of the Group and its subsidiaries taking ownership of these risks. Action plans to manage the risks are continually being monitored by Management and the Board.

The internal auditors will review policies and procedures as well as key controls over the selected areas as approved by the Audit Committee, and will highlight any issues to the Directors and the AC. Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that the auditors intend to rely on that are relevant to the Group's preparation of its financial statements. The external auditors also report any significant deficiencies in such internal controls to the Directors and the AC.

Based on the internal control framework established and maintained by Management, the reports from the internal and external auditors, and assurance reviewed from Management, the Board opines, with the concurrence of the AC, that the system of internal controls including financial, operational, compliance and information technology controls and risk management systems maintained by the Group's Management that was in place throughout the financial year up to the date of this report, is adequate and effective to meet the needs of the Group in its current business environment. The Board, together with the AC and Management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

Shareholder Rights and Responsibilities – Principles 14, 15 and 16

The Board's policy is that shareholders and the public should be equally and timely informed of all major developments that may impact materially on the Company.

The Company strives for timeliness and transparency in its disclosure to the shareholders and the public.

The Company communicates pertinent and timely information to its shareholders through:-

- The Company's annual reports which are prepared and issued to all shareholders containing all relevant information about the Group, including future developments and other disclosures required by the Singapore Companies Act and the Singapore Financial Reporting Standards;
- Announcement of quarterly, half-yearly and full-year's results on the Singapore Exchange Securities Trading Limited's SGXNET;
- Press releases on major developments of the Group;
- Responding to all enquiries from investors, analysts, fund managers and the media through its Corporate Communications and Investor Relations department;
- Formal and informal media and analysts' briefings for the Group's interim and annual financial results, chaired by the CEO, as appropriate; and
- The Group's website at www.umsgroup.com.sg from which shareholders can access information about the Group including all publicly disclosed financial information, corporate announcements, press releases, annual reports and profiles of the Group.

Information is first disclosed to all shareholders through SGXNET announcements before the Company meets with any group of analysts or investors. This ensures that all shareholders and the public have fair access to information. Where inadvertent disclosures are made to a selected group of people, or unfounded rumours are spread about the Company, the Company will make the same disclosures and clarify all rumours publicly immediately.

Shareholders are informed of general meetings through notices published in the newspapers and reports or circulars sent to all shareholders and via the Company's website. Shareholders are encouraged to attend and participate at the Company's Annual General Meeting to ensure that they have a better understanding of the Group's plans and developments for the future.

The Company's Constitution provides for a shareholder of the Company to appoint one or two proxies to attend the Annual General Meeting and to vote in place of the shareholders. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures. The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the conclusion of the AGM. The Company prepares minutes of general meetings and makes these minutes of the discussion at the general meetings available to shareholders upon their request.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

The Chairman of the Board, Audit, Remuneration and Nominating Committees and Management are required to be present at these meetings to address any questions that the shareholders may have. The Company's external auditors are also invited to attend the Annual General Meeting and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. The Board values shareholders' feedback and input.

Dividend Policy

The Group has adopted a dividend policy since 15 May 2012 to declare dividends on a quarterly basis. The form, frequency, the amount of any dividend will depend on the Group's earnings and financial position, results of operation, capital expenditure requirements, future expansion and investment plans, profit after tax position, other funding requirements, and other factors. The Directors will continually review the dividend policy and reserve the right to update, amend, modify or cancel this dividend policy.

Over the past five years, the Group has declared total annual dividends at the rate of approximately 75% to 114% of the net profit after tax based on the audited consolidated financial statements. Any dividend payments are clearly communicated to shareholders via announcements on SGXNET.

Dealing in Company's Securities

An internal Code on Dealings in Securities is also in place to prescribe the internal regulations pertaining to the securities of the Company and its listed subsidiaries. The code prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information of the Group. All Directors and employees are also prohibited from dealing in the securities of the Company during the period beginning two weeks before the announcement of the Company's financial statements 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 and ending on the date of the announcement of the financial results. Directors and officers are also advised not to deal in the Company's securities for short term considerations and they are expected to observe insider-trading laws at all times. The Company issues regular internal memorandums to the Directors and officers of the Group to remind them of the aforementioned prohibitions.

Interested Person Transactions and Material Contracts

The Company has an internal policy to deal with interested person transactions. All interested person transactions will be documented and submitted to the AC on a quarterly basis for their review and approval to ensure that the transactions are carried out at arm's length.

During the current year, there were interested person transactions with Kalf Engineering Pte Ltd in which both Mr Luong Andy and Mr Stanley Loh have an interest. All interested person transactions were conducted on arm's length basis and on normal commercial terms within the regulatory guidelines. The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders. Details of the interested person transactions are found on the supplementary financial information disclosures page of this Annual Report.

Except as disclosed in the interested person transactions note found on the supplementary financial information disclosures page of this Annual Report, there was no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any of the CEO, Director or controlling shareholder, either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.