

The listing rules as stated in the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”) require an issuer which holds its Annual General Meeting (“AGM”) on or after 1 January 2003 (the “effective date”) to describe its corporate governance practices in its annual report. In accordance with this requirement, this Report describes Teledata (Singapore) Limited (“TSL”) corporate governance processes and activities with specific reference to the Code of Corporate Governance (“code”) (*Identified in italics*).

This Report is meant to be read as a whole, instead of being compartmentalised under the different principles of the Code.

## Board of Directors

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### Board’s Conduct of its Affairs

#### *Principle 1:*

Every company should be headed by an effective Board to lead and control the company.

The principle functions of the Board are:

1. approving the board policies, strategies and financial objectives of the Company and monitoring the performance of management;
2. overseeing the processes for risk management, financial reporting and compliance and evaluating the adequacy of internal controls;
3. approving the nominations to the Board of Directors and appointment of key personnel;
4. approving annual budgets, major funding proposals, investment and divestment proposals;
5. reviewing and endorsing the recommended framework of remuneration for the Board and key executives by the Compensation Committee; and
6. assuming responsibility for corporate governance.

Matters which are specifically reserved for the Board’s decisions are those involving interested person transactions (including, inter alia, conflict of interest issues relating to substantial shareholders of TSL and/or Directors), material acquisitions and disposal of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings, are disclosed in this Report.

The Company has adopted a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Company’s operations or business from the management. The Chairman/Chief Executive Officer (“CEO”)/Company Secretary will make the necessary arrangements for the briefings, informal discussions or explanations as and when required by any Director.

Board Composition and Balance

*Principle 2:*

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises five non-executive Directors (of which four are independent) and one Executive Director. The four independent Directors are Esmond Goei, Kwah Thiam Hock, Chua Kee Lock and Ho Ying Dat. The appointment of each independent Director ("Independent Director") of TSL will be reviewed annually by the Nomination Committee ("NC"). The NC is adopting the Code's definition of what constitutes an independent director in its review. The NC is of the view that the current Board comprises persons who as a group, provides core competencies necessary to meet the Company's objectives.

The NC is of the view that the current board size of six Directors out of which four are Independent Directors (that is, two thirds of the board size) is appropriate, taking into account the nature and scope of TSL's operations.

Role of Chairman and Chief Executive Officer

*Principle 3:*

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and CEO are separate. The Chairman is a Non-Executive Director whilst the CEO is an Executive Director. The Chairman, being a Non-Executive Director, leaves the daily running of the business to the CEO although he bears responsibility for the workings of the Board. The Chairman and the CEO are not related.

The Chairman ensures that Board meetings are held as and when it is necessary and sets the Board meeting agenda in consultation with the CEO. The Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman ensures that procedures are introduced to comply with the Code.

Access to Information

*Principle 6:*

In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with quarterly management accounts and other financial statements. The Directors have also been provided with the telephone numbers and e-mail particulars of the Company's senior management and Company Secretary to facilitate access.

Should Directors, whether as a group or individually, need independent professional advice, the Company Secretary will, upon direction by the Board, appoint a professional advisor selected by the group or the individual, to render the advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act. Together with the other management staff of TSL, the Company Secretary is responsible for compliance with all other rules and regulations which are applicable to the Company.

Please refer to the "Board of Directors" and "Management Team" sections of the annual report for the composition of the Company's Board of Directors, Board committees and the management.

## Board Committees

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### Nomination Committee (NC)

The Nomination Committee (NC) comprises three of non-executive, independent Directors.

The principle functions of the NC are:

1. to make recommendations to the Board on all Board and Board committee appointments or re-appointments, including recommending the Chairman for the Board and for each Board committee and assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board;
2. to make recommendations to the Board on the appointment of representatives from TSL to directorships on the Boards of subsidiaries and associated companies of TSL; and
3. to review and recommend to the Board on the appointment of key executives.

New Directors are presently appointed by way of Board resolutions, after the NC approves their appointment. Article 104 of the Company's Articles of Association requires such new Directors to submit themselves for re-election at the following Annual General Meeting ("AGM") of the Company. Article 100 of the Articles requires one third of the incumbent Board members to retire by rotation at every AGM.

### Board Performance

#### *Principle 5:*

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

In evaluating the performance of each director and the Board, the NC implements a self-assessment process, that is, each director assesses his own performance and that of the Board. The NC evaluates the directors based on each director's self-assessment and contribution. This self-assessment process take into consideration, inter alia, attendance at meetings, maintenance of independence and disclosure of interested person transactions.

The Board's performance criteria had not and would not change from year to year unless circumstances deemed it necessary and the onus would be on the Board to justify the decision on such change. There have been no formal NC meetings conducted for FY2003 as no new appointments were made in FY2003. However, a NC meeting will be called before the AGM to evaluate the performance of each director and the Board.

## Audit Committee (AC)

### Terms of Reference

*Principle 11:*

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

The AC comprises three members, all of whom are independent non-executive Directors. The Chairman and the other members of the AC have experience in managerial positions in the finance industry. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC performs the following functions in accordance with section 201B(5) of the Companies Act, Cap 50 and TSL Corporate Governance Policies Manual:

1. reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
2. reviews with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;
3. reviews the half-yearly (in future, quarterly) and annual financial statements, including announcements to shareholders and the SGX-ST prior to the submission to the Board;
4. reviews any significant findings of internal investigations;

### Internal Controls

*Principle 12:*

The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

5. makes recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
6. reviews and approves the appointment, replacement, reassignment or the dismissal of the internal auditors;
7. reviews the assistance given by the Company's officers to the external and internal auditors;
8. reviews interested person transactions to ensure that internal control procedures approved by the shareholders are adhered to; and
9. reports actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate.

The AC has the express power to conduct or authorize investigations into any matters within its terms of reference.

The Company's external auditors, carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management annually to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations to address such non-compliance and weaknesses, are reported to the AC. The management with the assistance of the Internal Audit department ("IA") follows up on TSL's recommendations as part of its role in the review of the Company's internal control systems.

The AC is of the opinion that risk management is a continuing process, and based on Internal Audit reports, is satisfied that there are adequate internal controls in the Company.

## Internal Audit

### *Principle 13:*

The company should establish an internal audit function that is independent of the activities it audits.

The IA is staffed by two qualified persons who are corporate members of Institute of Internal Auditors Singapore. The AC is of the opinion that the internal auditors have the required knowledge to carry out the internal audit function. IA reports directly to the Chairman of the AC on audit matters, and to the CEO on administrative matters. The AC reviews IA's reports and its activities on a half-yearly basis. The AC also reviews and approves the annual IA plans and resources to ensure that the IA has the capabilities at adequately perform its functions.

## Compensation Committee (CC)

### Procedures for Developing Remuneration Policies

#### *Principle 7:*

There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

### 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 proportion of the remuneration, especially that of executive directors, should be linked to performance.

### Disclosure on Remuneration

#### *Principle 9:*

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

The CC comprises three Directors, all of whom are non-executive and independent Directors. The CC is chaired by an independent and non-executive Director.

CC's principal responsibilities are to:

1. recommend to the Board base salary levels, benefits and incentive opportunities, and identify components of salary which can best be used to focus management staff on achieving corporate objectives, including identifying equity based incentives such as share options;
2. approve the structure of the compensation programme for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
3. review Directors' and senior management's compensation annually and determine appropriate adjustments; and review and recommend the CEO's salary adjustments; and
4. administer the Teledata (Singapore) Limited Share Option Scheme. The Share Option Scheme Committee is responsible for approving and administering according to the Rules of the Scheme.

The Chairman of NC & CC decides on the specific remuneration package for an Executive Director or senior management staff upon recruitment. Thereafter, the CC reviews subsequent increments, award of share options under the Share Option Scheme and variable bonuses where these payments are discretionary. The CEO's remuneration package includes a variable bonus element and share options which is performance-related.

Non-executive Directors are only paid Directors' fees. CC recommends to the Board non-executive Directors' fees that is appropriate to the level of contribution, taking into account factors such as effort and time spent, responsibilities of Directors and comparison of non-executives' fees of companies with similar scale of operation and industry. Non-executive Directors are not over-compensated to the extent that their independence may be compromised. Directors' fees are recommended by the Directors for approval at the AGM. There is no service contract for Directors.

The remuneration of Directors and top five key executives for FY2003 are set out below:

|  | Fee | Salary | Bonus | Allowances<br>and Benefits* | Gratuity | Total |
|--|-----|--------|-------|-----------------------------|----------|-------|
| a) Directors of the Company                                  | %   | %      | %     | %                           | %        | %     |
| <i>Between S\$250,000 to S\$499,000</i>                      |     |        |       |                             |          |       |
| Directors who are in office at the date of this report:      |     |        |       |                             |          |       |
| Aston Chiu Sin Nang  | 5   | 78     | 2     | 15                          | -        | 100   |
| <i>Below S\$250,000</i>                                      |     |        |       |                             |          |       |
| Directors who have resigned before the date of this report:  |     |        |       |                             |          |       |
| Leong Siew Hay   | 100 | -      | -     | -                           | -        | 100   |
| Kwa Lay Keng   | 100 | -      | -     | -                           | -        | 100   |
| Directors who are in office at the date of this report:      |     |        |       |                             |          |       |
| Esmond Tjingoean Goei  | 100 | -      | -     | -                           | -        | 100   |
| Chua Kee Lock  | 100 | -      | -     | -                           | -        | 100   |
| Ho Ying Dat  | 100 | -      | -     | -                           | -        | 100   |
| Kwah Thiam Hock  | 100 | -      | -     | -                           | -        | 100   |
| Teng Theng Dar   | 100 | -      | -     | -                           | -        | 100   |
| b) Key Executives of the Company                             |     |        |       |                             |          |       |
| <i>Below S\$250,000</i>                                      |     |        |       |                             |          |       |
| Executives who have resigned before the date of this report: |     |        |       |                             |          |       |
| Thomas Chia  | -   | 86     | 2     | 12                          | -        | 100   |
| Andrew John Wilson   | -   | 62     | -     | 16                          | 22       | 100   |
| Executives who are in office at the date of this report:     |     |        |       |                             |          |       |
| Goo Li Ling  | -   | 76     | 2     | 22                          | -        | 100   |
| Iqbal Singh Minhas   | -   | 75     | 2     | 23                          | -        | 100   |
| Kelvin Tay   | -   | 78     | -     | 22                          | -        | 100   |

\* Allowances and benefits do not include share options.

The Company does not employ any immediate family member of a Director or the CEO.

The remuneration policy for staff adopted by the Company comprises a fixed component and a variable component. 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 and individual performance. Another element of the variable component is the grant of share options to staff under the Teledata Share Options Scheme.

Information on the Teledata Share Option Scheme such as size of grants, exercise price, options that were granted as well as outstanding and resting period of options are found on pages 25 and 26 of the Annual Report.

The total number of shares in respect of which the Company may grant options shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the offer date of the option. The amount of share options to be granted is in accordance with the grade of the employee and is approved by the Share Option Committee mentioned on page 26. The subscription price would be the greater of the nominal value of the shares and the average of the last transacted prices of the shares for the three consecutive market days on which dealings in the shares took place on the SGX-ST immediately preceding the date of grant.

## Communication with Shareholders

### Accountability

#### *Principle 10:*

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

### Communication with Shareholders

#### *Principle 14:*

Companies should engage in regular, effective and fair communication with shareholders.

### Promoting Greater Participation by Shareholders

#### *Principle 15:*

Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In the FY2002 Annual Report, we mentioned that the Company will be adopting quarterly reporting from 2003. However, due to the Group's focus on optimization of costs and its core businesses, the Group has delayed plans for quarterly reporting.

The Company does not practise selective disclosure. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysis or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period.

All shareholders of the Company receive a copy of the annual report and notice of AGM. The notice is also advertised in newspapers. At AGMs, shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

The Articles allow a shareholder of the Company to appoint one or two proxies to attend and vote at all general meetings on his/her behalf.

## Best Practice Guide

The Company has complied with the Best Practices Guide issued by SGX-ST.

### DIRECTORS' ATTENDANCE AT BOARD & COMMITTEE MEETINGS FOR FY2003

| Name                  | TSL Board       |                     | Audit Committee |                     | Compensation Committee |                     |
|-----------------------|-----------------|---------------------|-----------------|---------------------|------------------------|---------------------|
|                       | No of Mtgs Held | No of Mtgs Attended | No of Mtgs Held | No of Mtgs Attended | No of Mtgs Held        | No of Mtgs Attended |
| Esmond Tjingoean Goei | 5               | 5                   | 3               | 3                   | 3                      | 3                   |
| Aston Chiu Sin Nang   | 5               | 5                   | .*              | 3                   | .*                     | 3                   |
| Chua Kee Lock         | 5               | 3                   | .*              | 2                   | .*                     | 1                   |
| Ho Ying Dat           | 5               | 4                   | 3               | 3                   | 3                      | 3                   |
| Kwah Thiam Hock       | 5               | 5                   | 3               | 3                   | 3                      | 3                   |
| Teng Theng Dar        | 5               | 4                   | .*              | -                   | .*                     | 1                   |

\* Attendance of these Directors are not compulsory as they are not members of these sub-committees.

23 February 2004  
Goo Li Ling  
Foo Soon Soo  
Company Secretary