

CORPORATE GOVERNANCE REPORT

Ho Bee Land Limited (**the Company**) is committed to adopting high standards of corporate governance and transparency in conducting the Group's businesses. The board of directors of the Company (**the Board**) ensures that an effective self-regulatory and monitoring mechanism exists and is practised. This report outlines the main corporate governance practices that are in place, with specific reference to the principles of the Code of Corporate Governance 2012 (**the Code**).

The Company also refers to the disclosure guide issued by the Singapore Exchange (**SGX Disclosure Guide**) in January 2015 and has incorporated answers to the questions set out in the SGX Disclosure Guide in this report. Specific references are made to the Code's guidelines set out in the SGX Disclosure Guide.

SGX Disclosure Guide:

- (a) *Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.*
- (b) *In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?*

The Company has adhered to most of the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, we have provided the reasons and explanations on the Company's practices, where appropriate.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS (PRINCIPLE 1)

Role of the Board and Board responsibility

The principal role of the Board is to review and approve strategic plans, key operational and financial issues, evaluate performance of the Company, and supervise executive management to achieve optimal shareholders' value.

The Board undertakes the following duties and responsibilities in line with the Code:-

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- review management's performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- set the Company's values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues such as environmental and social factors, as part of its strategic formulation.

Pursuant to SGX Listing Rule 720(1), all directors had signed an undertaking in the prescribed form to use their best endeavours to comply with SGX Listing Rules and to procure the Company's compliance.

Board processes

The Board has established various Board committees to assist in fulfilling its duties and responsibilities. These committees are the Audit & Risk Committee (**ARC**), Nominating Committee (**NC**) and Remuneration Committee (**RC**) which are governed by specific terms of reference.

The Board currently holds four scheduled meetings and an annual business review meeting each year. Scheduled meetings for the Board committees are also arranged annually. Ad hoc meetings for the Board and Board committees are convened as and when necessary to address any specific matters.

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There was a total of six Board meetings (including one ad hoc meeting and the annual business review meeting), four ARC meetings, two NC meetings and two RC meetings held in the year ended 31 December 2017 (**FY2017**).

The attendance of the directors at Board and Board committee meetings for FY2017 was as follows:-

Name of directors	Board meeting	ARC meeting	NC meeting	RC meeting
Chua Thian Poh	6 of 6	N.A.	2 of 2	N.A.
Desmond Woon Choon Leng	6 of 6	N.A.	N.A.	N.A.
Ong Chong Hua	6 of 6	N.A.	N.A.	N.A.
Ch'ng Jit Koon ⁽¹⁾	2 of 2	1 of 1	N.A.	1 of 1
Jeffery Chan Cheow Tong	6 of 6	4 of 4	N.A.	2 of 2
Tan Eng Bock ⁽²⁾	2 of 2	N.A.	2 of 2	1 of 1
Bobby Chin Yoke Choong	6 of 6	4 of 4	2 of 2	N.A.
Ko Kheng Hwa	6 of 6	4 of 4	2 of 2	N.A.
Seow Choke Meng ⁽³⁾	3 of 3	N.A.	N.A.	1 of 1
Josephine Choo Poh Hua ⁽⁴⁾	3 of 3	2 of 2	N.A.	1 of 1

Notes:

(1) Mr Ch'ng Jit Koon retired at the conclusion of the 29th annual general meeting on 25 April 2017.

(2) Mr Tan Eng Bock retired at the conclusion of the 29th annual general meeting on 25 April 2017.

(3) Mr Seow Choke Meng was appointed as independent director, NC member and RC member on 26 April 2017.

(4) Ms Josephine Choo Poh Hua was appointed as independent director, ARC member and RC member on 26 April 2017.

N.A. means not applicable.

Matters requiring Board's approval (Guideline 1.5)

SGX Disclosure Guide:

What are the types of material transactions which require approval from the Board?

The following is a list of key matters that require Board's approval:-

- annual budget;
- quarterly and full year results announcements;
- annual report and financial statements;
- declaration of dividends;
- strategic plans;
- major acquisitions / disposals; and
- conflicts of interest / interested person / related party transactions.

The Board has established policy on delegation of authority and set authorisation limits delegated to management for specific types of transactions.

The Board has formalised policy and procedure on conflicts of interest to guide the directors in their dealing with any conflict of interest and fulfilling their disclosure obligations. A conflicted director is required to recuse himself and will not participate in the discussion and decision on any conflict-related matter.

The Board also has formalised policy and procedure on interested person and related party transactions. It is the policy of the Board that all interested person and related party transactions should be carried out at arm's length and on terms generally available to an unaffiliated third-party under the same or similar circumstances.

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Training for directors (Guideline 1.6)

SGX Disclosure Guide:

- (a) Are new directors given formal training? If not, please explain why.
- (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?

Directors are provided with the opportunity for training to ensure that they are conversant with their responsibilities and familiar with the Group's businesses, governance practices, relevant new legislations and changing commercial risks.

The directors can attend, at the Company's expenses, relevant conferences and seminars including programmes conducted by the Singapore Institute of Directors.

The Company arranges for directors' training program each year based on the recommendations of the NC. In addition, the Company arranges for professional briefings when necessary to update the directors on any new regulatory development which has an impact on the Group. The directors are also regularly briefed by the external auditors on new regulations and key changes to financial reporting standards.

Each year, the Company conducts an annual business review meeting for the directors. Presentations and briefings are conducted at the annual business review meeting by the senior management on the Group's operations, followed by discussion sessions on matters relating to operations and strategies. The latest annual business review meeting was held in December 2017.

During the year, the Company organised a directors' briefing session on the Companies Amendment Act (2017), the Stamp Duties Amendment Act (2017) as well as various changes to the SGX Listing Rules which came into effect from 31 March 2017. The briefing was conducted by a corporate lawyer from TSMP Law Corporation.

The costs of directors' training are borne by the Company.

Induction and orientation for new directors

As part of the induction programme for new directors appointed to the Board, Mr Seow Choke Meng and Ms Josephine Choo Poh Hua (both appointed on 26 April 2017) were briefed and each issued with a director pack comprising (i) a letter of appointment which sets out the terms of appointment; (ii) a general guide on the duties and liabilities of a director of a listed company under the Companies Act and the SGX Listing Manual; and (iii) a set of the Company's corporate manual which contains all Company policies, including terms of references, approved by the Board.

A new director orientation programme was also organised in May 2017 for Mr Seow and Ms Choo. The programme, which was conducted by the executive directors and senior management, includes a corporate video presentation and briefings on (i) the Group's current strategy and current projects, and (ii) the Group's FY2017 budget.

BOARD COMPOSITION AND GUIDANCE (PRINCIPLE 2)

Members of the Board

The Board has eight members, comprising three executive directors and five independent directors.

As Mr Chua Tian Poh, the Board Chairman and Chief Executive Officer (**CEO**) of the Company, holds both roles concurrently, the Company is required under Guideline 2.2 of the Code to have at least half of the Board filled with independent directors. The Company's Board composition has fully met this requirement.

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The Board comprises individuals with diverse skills, qualifications and backgrounds which include accounting, audit, legal, banking, investment, government, general management and business experience.

All the directors have real estate experience gained from this Board, as well as from other boards or organisations. Details on the profile of the directors are set out on pages 12 to 16 of the Annual Report.

Key information on the directors

The key information on the directors is set out in the following tables:-

CHUA THIAN POH

Chairman and Chief Executive Officer

Age: 69

Date of first appointment as director: 8 August 1987

Date of last re-appointment as director: N.A.

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Nominating Committee (Member)	N.A.	<p>Other listed companies Nil</p> <p>Other principal commitments ⁽¹⁾</p> <p>(1) Singapore Federation of Chinese Clan Associations (President)</p> <p>(2) Singapore Clan Foundation (Chairman)</p> <p>(3) Singapore Chinese Cultural Centre (Chairman)</p> <p>(4) Singapore Hokkien Huay Kuan (President)</p> <p>(5) Singapore Hokkien Huay Kuan Affiliated School Management Committee (Chairman)</p> <p>(6) The Hokkien Foundation (Chairman)</p> <p>(7) Yunnan Realty Pte Ltd (Chairman)</p> <p>(8) Singapore Hokkien Huay Kuan Cultural Academy (Chairman)</p> <p>(9) Singapore Chinese Chamber of Commerce & Industry (Honorary President)</p> <p>(10) Ren Ci Hospital (Chairman)</p> <p>(11) Chinese Development Assistance Council Board of Trustee (Chairman)</p> <p>(12) National Steering Committee on Racial & Religious Harmony (Member)</p> <p>(13) Ho Bee Foundation (Member/Chairman)</p> <p>(14) Ascendas-Singbridge Pte. Ltd. (Independent Director)</p> <p>(15) Ministry of Foreign Affairs (Non-Resident Ambassador to the Republic of Maldives)</p> <p>(16) Singapore Chinese Dance Theatre (Chairman)</p> <p>(17) Council of Presidential Advisers (Alternate Member)</p>	Nil

⁽¹⁾ Besides the principal commitments listed above, Mr Chua Thian Poh holds directorships in a number of related corporations, associated companies and jointly controlled entities of the Company.

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DESMOND WOON CHOON LENG**Executive Director**

Age: 62

Date of first appointment as director: 11 August 1995

Date of last re-appointment as director: 28 April 2015

Date of next re-appointment as director: 26 April 2018 ⁽¹⁾

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
N.A.	N.A.	<p>Other listed companies Nil</p> <p>Other principal commitments ⁽²⁾ Nil</p>	Nil

(1) Mr Desmond Woon Choon Leng is retiring by rotation under Article 104 of the Company's Constitution at the 30th annual general meeting and he has offered himself for re-election. There is no relationship (including immediate family relationship) between Mr Woon and the other directors of the Company.

(2) Mr Desmond Woon Choon Leng holds directorships in a number of related corporations, associated companies and jointly controlled entities of the Company.

ONG CHONG HUA**Executive Director**

Age: 63

Date of first appointment as director: 11 August 1995

Date of last re-appointment as director: 25 April 2017

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
N.A.	Masters Degree in Town and Regional Planning	<p>Other listed companies Nil</p> <p>Other principal commitments ⁽¹⁾</p> <p>(1) Kingdom Investment Holdings Pte. Ltd. (Director)</p> <p>(2) FNA Group International Pte. Ltd. (Director)</p> <p>(3) Focus Network Agencies (Singapore) Pte. Ltd. (Director)</p>	Nil

(1) Besides the principal commitments listed above, Mr Ong Chong Hua holds directorships in a number of related corporations, associated companies and jointly controlled entities of the Company.

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BOBBY CHIN YOKE CHOONG**Lead Independent Director**

Age: 66

Date of first appointment as director: 29 November 2006

Date of last re-appointment as director: 28 April 2015

Date of next re-appointment as director: 26 April 2018⁽¹⁾

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Audit & Risk Committee (Chairman) Nominating Committee (Member)	ACA (Institute of Chartered Accountants in England & Wales)	<p>Other listed companies</p> <p>(1) AV Jennings Limited (Independent Director)</p> <p>(2) Yeo Hiap Seng Ltd (Independent Director)</p> <p>(3) Singapore Telecommunications Limited (Independent Director)</p> <p>Other principal commitments</p> <p>(1) Frasers Commercial Asset Management Ltd (Chairman)</p> <p>(2) Singapore Labour Foundation (Independent Director)</p> <p>(3) Council of Presidential Advisers (Member)</p> <p>(4) NTUC Enterprise Co-operative Limited (Deputy Chairman)</p> <p>(5) NTUC Fairprice Co-operative Ltd (Chairman)</p> <p>(6) NTUC Fairprice Foundation Ltd (Chairman)</p> <p>(7) Temasek Holdings (Private) Ltd (Independent Director)</p> <p>(8) Housing and Development Board (Chairman)</p>	Sembcorp Industries Ltd

⁽¹⁾ Mr Bobby Chin Yoke Choong is retiring by rotation under Article 104 of the Company's Constitution at the 30th annual general meeting and he has offered himself for re-election. Except as disclosed in the Directors' Statement on page 69 of the Annual Report, there is no relationship (including immediate family relationship) between Mr Chin and the other directors, the Company or its 10% shareholders (as defined in the Code).

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JEFFERY CHAN CHEOW TONG**Independent Non-Executive Director**

Age: 69

Date of first appointment as director: 15 October 2002

Date of last re-appointment as director: 25 April 2017

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Remuneration Committee (Chairman)	Fellow Chartered Accountant of Singapore	Other listed companies Nil	Nil
Audit & Risk Committee (Member)	FCA (Institute of Chartered Accountants in England & Wales)	Other principal commitments Goodhope Asia Holdings Ltd (Independent Director)	

KO KHENG HWA**Independent Non-Executive Director**

Age: 63

Date of first appointment as director: 1 May 2016

Date of last re-appointment as director: 25 April 2017

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Nominating Committee (Chairman)	BA (Honours) in Civil Engineering	Other listed companies iX Biopharma Ltd (Lead Independent Director)	Nil
Audit & Risk Committee (Member)	Master in Management Fellow of Institution of Engineers Singapore Fellow of Singapore Computer Society	Other principal commitments (1) SG Advisory Pte Ltd (Executive Director) (2) Scale Up Pte Ltd (Executive Director) (3) Lifelearn Holdings Pte Ltd (Senior Advisor) (4) AirTrunk Pte Ltd (Senior Advisor) (5) Boston Consulting Group International, Inc (Expert Advisor) (6) Envision Energy Ltd, Shanghai (Senior Advisor)	

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SEOW CHOKE MENG**Independent Non-Executive Director**

Age: 68

Date of first appointment as director: 26 April 2017

Date of next re-appointment as director: 26 April 2018⁽¹⁾

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Nominating Committee (Member)	Bachelor of Science Degree (Honours)	Other listed companies Nil	Nil
Remuneration Committee (Member)		Other principal commitments (1) Kwong Wai Shiu Hospital & Nursing Home (Director) (2) Ren Ci Hospital (Vice Chairman) (3) Ulu Pandan Citizen's Consultative Committee (Vice-Chairman) (4) Promote Mandarin Council (Chairman) (5) Focus Publishing Ltd (Director) (6) Sin Chew Jit Poh (Singapore) Ltd (Director) (7) Times Development Pte Ltd (Director) (8) Times Properties Pte Ltd (Director) (9) Singapore Chinese Chamber of Commerce & Industry (Honorary Council Member) (10) National Healthcare Group (Director) (11) Chinese Development Assistance Council Board of Trustee (Member) (12) Singapore Chinese Cultural Centre (Director) (13) Straco Leisure Pte Ltd (Director) (14) National Council of Social Service (Director) (15) Ho Bee Foundation (Member/ Director)	

⁽¹⁾ Mr Seow Choke Meng will cease to be a director under Article 108 of the Company's Constitution at the 30th annual general meeting and he has offered himself for re-election. There is no relationship (including immediate family relationship) between Mr Seow and the other directors, the Company or its 10% shareholders (as defined in the Code).

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JOSEPHINE CHOO POH HUA

Independent Non-Executive Director

Age: 47

Date of first appointment as director: 26 April 2017

Date of next re-appointment as director: 26 April 2018⁽¹⁾

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Audit & Risk Committee (Member)	LL.B. (Honours) Middle Temple (Barrister-at-Law)	Other listed companies Nil	Nil
Remuneration Committee (Member)		Other principal commitments (1) Wong Partnership LLP (Partner, Specialist & Private Client Disputes Practice) (2) Dr Oon Chiew Seng Trust Limited (Director/Vice-Chairman)	

(1) Ms Josephine Choo Poh Hua will cease to be a director under Article 108 of the Company's Constitution at the 30th annual general meeting and she has offered herself for re-election. There is no relationship (including immediate family relationship) between Ms Choo and the other directors, the Company or its 10% shareholders (as defined in the Code).

Notes:

(1) Information on directors' shareholdings in the Company and its related corporations is set out in the Directors' Statement on pages 67 to 69 of the Annual Report.

(2) N.A. means not applicable.

Independence of directors

Proportion of independent directors (Guideline 2.1)

SGX Disclosure Guide:

Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

There are five independent directors, constituting more than 50% of the Board and the Company complies with the guideline of the Code. The independent directors of the Company are:-

- (1) Bobby Chin Yoke Choong (Lead Independent Director)
- (2) Jeffery Chan Cheow Tong
- (3) Ko Kheng Hwa
- (4) Seow Choke Meng
- (5) Josephine Choo Poh Hua

The independent directors held two independent meetings in 2017 without the presence of management. The first meeting was held at the beginning of the year to assess the performance of the Board Chairman. The second meeting was held at the end of the year to discuss Board processes and governance, and any significant issues to be brought up to the Board Chairman's attention. All independent directors attended the

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independent meetings.

Lead independent director

As the Board Chairman and CEO of the Company is the same person, the Company has appointed a Lead Independent Director since 26 February 2007 in line with Guideline 3.3 of the Code. The current Lead Independent Director is Mr Bobby Chin Yoke Choong (appointed since 1 May 2016).

The Lead Independent Director's terms of reference include (i) dealing with matters where the Board Chairman may be perceived to have a conflict of interest; (ii) being a spokesman and providing leadership among the directors in enhancing objectivity and independence of the Board; (iii) serving as an impartial challenge to check and balance the Board Chairman; and (iv) acting as a conduit to the Board for communicating shareholder concerns.

Determining independence of independent directors (Guideline 2.3)

SGX Disclosure Guide:

- (a) *Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.*
- (b) *What are the Board's reasons for considering him independent? Please provide a detailed explanation.*

The NC assesses the independence of the independent directors annually based on the guidelines set out in the Code.

Each independent director is required to make a declaration annually to confirm that there is no relationship as stated in the Code that would otherwise deem him not to be independent.

Mr Bobby Chin Yoke Choong holds 1.5% shareholding in Kingdom Investment Holdings Pte. Ltd. (**KIHPL**), a related corporation of the Company. The NC has reviewed and is satisfied that Mr Chin's minority interest in KIHPL does not affect his independence. The minority shareholding also does not fall within the ambit of relationships defined in the Code which will deem him not to be independent.

The NC has reviewed the declarations of independence by the independent directors for FY2017, and is satisfied that all independent directors are suitable to be considered as independent for the purpose of Principle 2 of the Code. All independent directors are also independent from the major shareholders of the Company. During the process, each NC member who is an independent director had recused himself in the determination of his own independence.

Independent directors with more than 9-year tenure (Guideline 2.4)

SGX Disclosure Guide:

Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.

The Board currently does not have a policy on director tenure, but the Board pays close attention to the recommendations and guidelines of the Code.

The Company has implemented a Board Assessment Framework since 2012 which includes a robust process for reviewing the independence of directors who have reached 9-year tenure.

For FY2017, the independent directors who have reached 9-year tenure were rigorously assessed by the NC and the Board to determine if they possess positive personal attributes such as independent thinking and keen observation, and if they had demonstrated the ability to maintain integrity and strong principles.

Based on the directors' performance assessment and the rigorous review process for FY2017, the NC and the Board were satisfied that the directors who had reached 9-year tenure or beyond, namely Mr Jeffery Chan Cheow Tong and Mr Bobby Chin Yoke Choong had continued to maintain independence in their oversight role and they had continued to add value to the Company. The NC and the Board agreed unanimously that both

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Mr Jeffery Chan and Mr Bobby Chin possess valuable experience and knowledge, as well as high degree of integrity and independent judgment. Mr Bobby Chin and Mr Jeffery Chan did not participate in the rigorous review process.

The Board values continuity and stability and has recommended that Mr Bobby Chin and Mr Jeffery Chan continue to serve the Board. Mr Bobby Chin and Mr Jeffery Chan did not participate in the decision making.

The Board is of the view that a director's independence cannot be determined on the basis of a set tenure.

Determining Board's composition (Guideline 2.6)

SGX Disclosure Guide:

- (a) *What is the Board's policy with regard to diversity in identifying director nominees?*
- (b) *Please state whether the current composition of the Board provides diversity on each of the following - skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.*
- (c) *What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?*

The Board's composition is determined in accordance with the following principles:-

- the Board should comprise a majority of non-executive directors, with independent directors making up at least half of the Board as the Chairman and CEO of the Company is the same person;
- the Board should comprise directors with a broad range of expertise both nationally and internationally;
- the Board should have enough directors to serve on various Board committees without the directors being over-burdened to the extent that it becomes difficult for them to fully discharge their responsibilities; and
- all directors (except the CEO) are subject to re-election once every three years at annual general meetings.

The composition of the Board is reviewed annually by the NC to ensure that there is a strong and independent element on the Board and that its size is appropriate to the scope and nature of the Group's operations.

The Board currently does not have a diversity policy. However, the Board pays close attention to the recommendations and guidelines of the Code. In FY2017, the Board appointed its first female director, Ms Josephine Choo Poh Hua who is an experienced litigation lawyer from WongPartnership. Ms Choo's appointment has enhanced the Board's diversity in terms of skillset, gender and age.

In FY2017, the Board had reviewed and was of the view that there was sufficient diversity in skills, experience and knowledge of the Company in its current Board composition to maximise effectiveness. The Board will take into consideration other diversity aspects for any future Board appointments.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRINCIPLE 3)

There is no separation of roles between the Chairman and CEO in the Company due to the fact that Mr Chua Thian Poh who indirectly owns the majority of the shares in the Company, has been personally involved in the day-to-day operations of the Company since its incorporation.

The Board is of the opinion that it has a strong and independent group of non-executive directors and is well balanced. In addition, the Company has appointed a lead independent director since 26 February 2007.

The Chairman is responsible for the effective working of the Board and his responsibilities include:-

- leading the Board to ensure its effectiveness on all aspects of its role;
- creating the conditions for overall Board and individual director effectiveness;
- demonstrating ethical leadership;
- setting clear expectations concerning the Company's culture, values and behaviours;
- setting the Board agenda in consultation with the executive directors, and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensuring that all Board members are furnished with complete, high-quality and timely information;
- ensuring effective communication with shareholders;
- ensuring that proper procedures are set up to comply with the Code; and
- promoting high standards of corporate governance.

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BOARD MEMBERSHIP (PRINCIPLE 4)

Nominating Committee (Guideline 4.1)

The NC consists of three independent directors (including the NC chairman) and one executive director. The Company's Lead Independent Director, Mr Bobby Chin Yoke Choong is a member of the NC. The current members of the NC are as follows:-

1. Ko Kheng Hwa (Chairman)
2. Bobby Chin Yoke Choong
3. Chua Thian Poh
4. Seow Choke Meng

The NC's terms of reference include the following key duties and responsibilities:-

- make recommendations on all Board and Board committee appointments and re-appointments;
- determine the performance criteria and evaluation process for assessing the performance of the Board, the Board committees and individual directors;
- review the size and composition of the Board to ensure the right mix to promote Board effectiveness;
- determine directors' independence;
- review succession plans for directors and key management personnel;
- set guideline on multiple board representations; and
- review and recommend training and professional development programs for directors.

Guideline on multiple board representations (Guideline 4.4)

SGX Disclosure Guide:

- (a) *What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?*
- (b) *If a maximum number has not been determined, what are the reasons?*
- (c) *What are the specific considerations in deciding on the capacity of directors?*

The Board has adopted an internal guideline recommended by the NC to address the competing time commitments that may be faced by a director holding multiple board appointments. The guideline provides that, as a general rule, the maximum limit is one other listed company board representation for each executive director; three other listed company board representations for each non-executive director with full time employment; and six other listed company board representations for each non-executive director without full time employment. The guideline is reviewed by the NC annually.

In determining the maximum limit, the NC considers the average time requirement for directors to attend meetings, site visits and briefings. The NC also considers the general limit set by other companies.

Each director is required to disclose annually to the Company, his other appointment(s) and directorship(s) in corporation(s) which he currently serves as board member or executive officer, as well as his other principal commitment(s).

The NC had reviewed and was satisfied that no director had exceeded the maximum limit in FY2017. Further, the NC and the Board had reviewed and were satisfied that the directors with multiple board representation had given sufficient time and attention to the affairs of the Company and had adequately carried out their duties as directors of the Company.

Alternate directors (Guideline 4.5)

There was no alternate director appointed during the year and no alternate director appointed since the Company was listed. This is in line with the Code which discourages the appointment of alternate director except for exceptional cases.

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Process for selection, appointment of new directors, and re-appointment to the Board (Guideline 4.6)

SGX Disclosure Guide:

Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.

In the selection process for any new director, the NC will evaluate the balance of skills, knowledge and experience on the Board, and determine the role and desirable competencies for any new appointment to enhance the existing Board composition. The Board will also continue to take into consideration diversity factors. Such evaluation may arise from the Board's annual evaluation process. When necessary, the NC may seek the help of external consultant to carry out the search process. The NC may meet with the potential candidate to assess his/her suitability and availability. The selection process will take into account the candidate's honesty, integrity, reputation, competence, capability and financial soundness. The NC will then make a recommendation to the Board for approval.

During the selection process for new directors in FY2017, the NC had considered several potential candidates recommended by the existing directors and shortlisted a few suitable candidates. The final decision was made at an NC meeting held in March 2017, followed by due process of recommendation to and approval from the Board.

In FY2017, Mr Seow Choke Meng was selected for appointment as independent director based on his media industry background. The NC was of the view that Mr Seow would provide a different skillset to the existing Board mix and contribute in public relations/mass communication aspects. Mr Seow also possesses real estate industry experience.

Ms Josephine Choo Poh Hua was selected for appointment as independent director in FY2017 based on her legal expertise background. The NC was of the view that Ms Choo's appointment would certainly fill the gap in skillsets in terms of legal expertise. The appointment of Ms Choo also enhanced the gender and age diversity of the Board.

Eligibility of directors for re-election is reviewed by the NC annually based on the individual director's performance. All directors, except the director holding the office as CEO, are required to be re-elected at least once every three years in accordance with the Company's Constitution.

BOARD PERFORMANCE (PRINCIPLE 5)

Board evaluation (Guideline 5.1)

SGX Disclosure Guide:

- (a) *What was the process upon which the Board reached the conclusion on its performance for the financial year?*
- (b) *Has the Board met its performance objectives?*

The Ho Bee Board Assessment Framework was developed with the assistance of the Company's consultant, KPMG Services Pte Ltd. The framework was established and approved for use by the Board to ascertain the effectiveness of the Board as a whole, its Board committees and the contribution by the Board Chairman and each director to the effectiveness of the Board. The framework integrates the assessment of the Board, Board committees, Board Chairman and individual directors. This framework is reviewed annually by the NC and when required, refined to incorporate better practices to enable an effective and relevant assessment process.

In FY2017, based on the NC's recommendation, the Board streamlined its performance evaluation process by adopting a new set of Board/Committee evaluation questionnaire. The new questionnaire encompasses the evaluation of the Board's performance as well as performance of the various Board committees.

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The enhanced Board/Committee review process incorporates factors such as Board's composition and leadership; processes; information management; strategy and implementation; monitoring of company performance; management evaluation, compensation and succession; risk and crisis management; committee effectiveness; stakeholder management and engagement; directors' development and management. The Board/Committee evaluation questionnaire was completed by each director. The results of the assessment were collated by the company secretary and provided to the NC. The NC assessed and discussed the performance of the Board as a whole and the effectiveness of the Board committees (ARC, NC and RC), and recommended to the Board key areas for improvement and follow-up actions. For FY2017, the directors were of the view that the Board and its various Board committees had been effective.

The Board Chairman is assessed annually by the independent directors during a meeting of and by the independent directors. The Board Chairman is assessed on attributes such as leadership, ethics, values, knowledge, interaction and communication skills. The results of this assessment are provided to the Board Chairman immediately after the meeting.

Individual directors are assessed annually using a director performance evaluation form. For FY2017 the evaluation was carried out collectively by the Board members during the NC meeting. Each director had recused himself in his own evaluation. The performance indicators for assessing the individual directors include director's duties, leadership, strategy, risk management, Board contribution, knowledge, interaction and communication skills.

ACCESS TO INFORMATION (PRINCIPLE 6)

Directors are provided with detailed financial statements and reports for each Board meeting which are required to be circulated at least seven days in advance of each meeting. These include disclosure documents, management accounts, budgets and information pertaining to matters to be brought before the Board. In addition, all relevant information on material transactions and events are circulated to directors as and when they arise.

Additional information for independent directors (Guideline 6.1)

SGX Disclosure Guide:

What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

At each quarterly meeting, the independent directors are briefed by the executive directors and senior management on the Group's business, finance and risks. They are also briefed on key developments in the real estate industry both locally and overseas.

Every Board member has independent and full access to the senior management, auditors, company secretary and other employees to seek additional information. The directors can seek independent legal and professional advice, if necessary, at the Company's expense, to enable them to fulfill their duties and responsibilities.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (PRINCIPLE 7)

Remuneration Committee (Guideline 7.1)

The RC comprises three Board members all of whom, including the RC chairman, are independent directors. The members of the RC are as follows:-

1. Jeffery Chan Cheow Tong (Chairman)
2. Seow Choke Meng
3. Josephine Choo Poh Hua

CORPORATE GOVERNANCE REPORT

The key duties and responsibilities of the RC under its terms of reference are as follows:-

- ensure that the level and structure of remuneration is aligned with the long term interest and risk policies of the Company;
- review management's proposal and recommend to the Board on the general remuneration framework and specific remuneration packages for the directors and key management personnel;
- review all benefits and long-term incentive schemes (including share schemes) and compensation packages for the directors and key management personnel;
- review service contracts for the directors and key management personnel; and
- ensure that there is a fair compensation system for the directors and key management personnel.

LEVEL AND MIX OF REMUNERATION (PRINCIPLE 8)

The Company's remuneration framework for executive directors and key management personnel is made up of various components such as a base/fixed salary, variable or performance-related bonuses and benefits/allowances.

The Company carries out regular benchmarking survey using internal resources to ensure that the remuneration of directors and key management personnel is in line with industry level. The Company also engages external remuneration consultant periodically to ensure that the remuneration packages are in line with industry practices.

The last external benchmarking exercise was carried out in 2013 by Mercer (Singapore) Pte Ltd (**Mercer**), an independent remuneration consultant, on the remuneration for executive directors and key management personnel. Mercer has no relationship with the Company.

Executive directors do not receive directors' fees. The Board Chairman and CEO, Mr Chua Thian Poh is entitled to profit sharing incentives under his service agreement with the Company.

There was no overly generous termination clause in the service contracts of executive directors and key management personnel.

The RC has reviewed the Code's recommendation on the use of contractual provisions to reclaim incentive components of remuneration of executive directors and key management personnel, and considers it unnecessary in the Company's current context.

Non-executive directors are paid directors' fees, subject to the approval of shareholders at the annual general meeting. The framework for determining non-executive directors' fees for FY2017 is as follows:-

Basic retainer fee for non-executive directors	
Board Chairman	N.A.
Board Member	S\$50,000 per annum
Additional fee for other appointments	
Lead Independent Director	S\$10,000 per annum
Audit & Risk Committee Chairman	S\$30,000 per annum
Audit & Risk Committee Member	S\$15,000 per annum
Nominating Committee Chairman	S\$10,000 per annum
Nominating Committee Member	S\$5,000 per annum
Remuneration Committee Chairman	S\$10,000 per annum
Remuneration Committee Member	S\$5,000 per annum

Note: N.A. means not applicable.

The non-executive directors' fee framework was last revised in FY2015.

In setting the remuneration framework for non-executive directors, the RC takes into consideration factors such as effort and time spent, and responsibilities of the directors. The RC ensures that the remuneration of non-executive directors is aligned with industry level and that non-executive directors are not overly compensated to such an extent which will compromise their independence.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION (PRINCIPLE 9)

The remuneration of directors and key management personnel for FY2017 is set out in the tables below:-

Remuneration of Directors and CEO (Guideline 9.2)

SGX Disclosure Guide:

Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

1) Summary remuneration table for directors and the CEO in bands of S\$250,000

Name of directors	Directors' Fees ⁽¹⁾	Base / Fixed Salary	Variable / Bonuses	Benefits/ Allowances	Share-Based	Total %
Above S\$10,000,000 and up to S\$10,250,000						
Chua Thian Poh Chairman & CEO	-	9%	90%	1%	-	100%
Above S\$1,500,000 and up to S\$1,750,000						
Ong Chong Hua Executive director	-	29%	70%	1%	-	100%
Above S\$1,000,000 and up to S\$1,250,000						
Desmond Woon Choon Leng Executive director	-	31%	68%	1%	-	100%
S\$250,000 and below						
Ch'ng Jit Koon ⁽²⁾ Non-executive Independent director	100%	-	-	-	-	100%
Jeffery Chan Cheow Tong Non-executive Independent director	100%	-	-	-	-	100%
Tan Eng Bock ⁽³⁾ Non-executive Independent director	100%	-	-	-	-	100%
Bobby Chin Yoke Choong Non-executive Independent director	100%	-	-	-	-	100%
Ko Kheng Hwa Non-executive Independent director	100%	-	-	-	-	100%
Seow Choke Meng ⁽⁴⁾ Non-executive Independent director	100%	-	-	-	-	100%
Josephine Choo Poh Hua ⁽⁵⁾ Non-executive Independent director	100%	-	-	-	-	100%

(1) Directors' fees are subject to shareholders' approval at the annual general meeting.

(2) Mr Ch'ng Jit Koon retired at the 29th annual general meeting on 25 April 2017.

(3) Mr Tan Eng Bock retired at the 29th annual general meeting on 25 April 2017.

(4) Mr Seow Choke Meng was appointed on 26 April 2017.

(5) Ms Josephine Choo Poh Hua was appointed on 26 April 2017.

CORPORATE GOVERNANCE REPORT

The remuneration of each individual director and the CEO is disclosed, on a named basis, in bands of S\$250,000 with a breakdown in percentage terms of the remuneration earned through base/fixed salary, variable or performance-related income/bonuses and benefits-in-kind/allowances. There was no stock option granted, share-based incentive/award, and other long term incentives. The Board is of the view that such disclosure provides adequate information on the remuneration of the directors and the CEO.

There are no termination, retirement and post-employment benefits granted to the directors and the CEO.

Remuneration of key management personnel (Guideline 9.3)

SGX Disclosure Guide:

- (a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?
- (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).

2) Summary remuneration table for top five key management personnel (who are not directors or the CEO) ⁽¹⁾ in bands of S\$250,000

Name of key management personnel	Base / Fixed Salary	Variable / Bonuses	Benefits / Allowances	Share-Based	Total
Above S\$750,000 and up to S\$1,000,000					
Chong Hock Chang	38%	62%	-	-	100%
Above S\$500,000 and up to S\$750,000					
Chua Wee-Chern ⁽²⁾	36%	64%	-	-	100%
Below S\$250,000					
Lum Hon Chew	59%	41%	-	-	100%

(1) The Company has only 3 key management personnel (who are not directors or the CEO) in FY2017.

(2) Mr Chua Wee-Chern is son of the Chairman & CEO, Mr Chua Thian Poh.

The remuneration of the above key management personnel (who are not directors or the CEO) is disclosed, on a named basis, in bands of S\$250,000 with a breakdown in percentage terms of the remuneration earned through base/fixed salary, variable or performance-related income/bonuses and benefits-in-kind/allowances. There was no stock option granted, share-based incentive/award, and other long term incentives. The Board is of the view that such disclosure provides adequate information on the remuneration of the above key management personnel (who are not directors or the CEO).

The total remuneration paid to the above key management personnel (who are not directors or the CEO) for FY2017 is S\$1,667,895.

There were no termination, retirement and post-employment benefits granted to the above key management personnel (who are not directors or the CEO).

CORPORATE GOVERNANCE REPORT

Remuneration of employees who are immediate family member of a director or CEO (Guideline 9.4)

SGX Disclosure Guide:

Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.

Besides Mr Chua Wee-Chern, who is son of the Chairman and CEO, Mr Chua Thian Poh, and whose salary is disclosed in the above remuneration table for key management personnel (who are not directors or the CEO), the following employee is an immediate family member of a director or the CEO whose remuneration exceeds S\$50,000 in FY2017:-

Name of employee	Remuneration Band
Ng Noi Hinoy ⁽¹⁾	S\$250,000 and below

⁽¹⁾ Mdm Ng Noi Hinoy is the spouse of the Chairman & CEO, Mr Chua Thian Poh.

The remuneration of the above employee who is an immediate family member of a director or the CEO is disclosed in bands of S\$250,000 to maintain confidentiality.

Employee share scheme

The Company's Share Option Scheme approved at the extraordinary general meeting held on 30 May 2001 (**2001 Scheme**) had expired on 29 May 2011. There has been no new share option scheme or share scheme since the expiry of the 2001 Scheme.

The RC reviews annually the need to re-implement a share option scheme. In FY2017, the RC and the Board, having considered the Company's current share price and the cost of implementing and administering the scheme, was of the view that a share option scheme is not cost beneficial currently.

Performance conditions for executive directors and key management personnel (Guideline 9.6)

SGX Disclosure Guide:

- Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.*
- What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?*
- Were all of these performance conditions met? If not, what were the reasons?*

Performance measure for the executive directors and key management personnel is based on key performance indicators set each year for the individuals towards achievement of the Company's objectives. The annual salary review is carried out in December each year. In setting remuneration packages, the Company takes into account the pay and employment conditions within the industry and in comparable companies, as well as the profitability of the Group as a whole, and individual performance.

The profit sharing incentive for the Board Chairman and CEO, Mr Chua Thian Poh is based on a percentage of the Group's audited consolidated profit before tax (excluding any surplus/loss on revaluation of the Group's investment properties) for the relevant financial year, plus one-fifth of any surplus/loss on revaluation of the Group's investment properties for the relevant financial year (**Adjusted PBT**). The balance four-fifths of the surplus/loss on revaluation of the Group's investment properties, are carried forward in equal amount every year for the next four years to determine his entitlement for subsequent years. There was an increase in the profit sharing incentive for FY2017 compared to FY2016 due to the increase in the Group's Adjusted PBT.

In FY2017, based on the RC's recommendation, the Board approved the revised profit sharing formula with the agreement of the Chairman and CEO to take into consideration various factors including the Group's Return on Equity and Total Shareholders' Return.

There was an overall increase in performance bonuses awarded to the other executive directors and key management personnel for FY2017 due to the increase in the Group's overall profit level compared to FY2016.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY (PRINCIPLE 10)

The Company has been making announcements of its quarterly results since financial year 2003. Every Board member receives from management, detailed management accounts of the Group's performance on a regular basis. It is the aim of the Board, in presenting the quarterly and annual financial statements announcements, to provide shareholders with a comprehensive and balanced assessment of the Group's performance, financial position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS (PRINCIPLE 11)

The Group has in place an Enterprise Risk Management (**ERM**) Framework, which governs the risk management process in the Group. Through this framework, risk capabilities and competencies are continuously enhanced. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process in place covers, inter alia, financial, operational, information technology and compliance risks faced by the Group. The ARC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment which the Group operates in.

The Group has established risk appetite statements with tolerance limits to monitor shifts in its significant risks and to proactively manage them within acceptable levels. These risk appetite statements have been reviewed and approved by the Board and are monitored on a half-yearly basis.

The key risks identified under the ERM Framework are those relating to investments, market concentration, country, foreign exchange, regulatory compliance, health and safety, land tendering, pricing and contract management. The key risks of the Group are deliberated by the management and reported to the ARC half-yearly. In FY2017, particular attention was focused on interest rate, foreign exchange, impairment and geographical concentration risks.

Complementing the ERM Framework is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes.

To ensure that internal controls and risk management processes are adequate and effective, the ARC is assisted by various independent professional service providers. External auditors provide assurance over the risk of material misstatements in the Group's financial statements. Internal auditors provide assurance that controls over the key risks of the Group are adequate and effective.

During the year, in addition to the periodic internal audit of processes and internal controls on the Group's various projects, the internal auditors carried out additional audits in China on the Group's China joint venture projects.

In FY2017, the Group also established a crisis management framework with the assistance of a public relations consultant, Hoffman Agency. The framework outlines the various emergency response processes relating to operational, environmental, health, development, employee, IT and corporate incidents. The framework also addresses the crisis communication procedure for the various incidents depending on the crisis level.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises 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.

CORPORATE GOVERNANCE REPORT

Board's commentary on the adequacy and effectiveness of the Company's internal controls and risk management system (Guideline 11.3)

SGX Disclosure Guide:

- (a) *In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.*
- (b) *In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?*

Based on the internal controls established and maintained by the Group, work performed by independent external third parties, and reviews performed by and assurance from the management, various Board committees and the Board, the Board with the concurrence of the ARC is of the opinion that the Group's system of risk management and internal controls, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2017.

The systems of internal controls and risk management established by the Group provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

During the process of reviewing the financial statements of the Group for FY2017, the Board had received assurance from the CEO and the Finance Director that (i) the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems are effective.

AUDIT & RISK COMMITTEE (PRINCIPLE 12)

The Company's Audit Committee was renamed as Audit & Risk Committee (**ARC**) on 7 November 2012.

The ARC is made up of four Board members all of whom, including the ARC chairman, are independent directors. The current members of the ARC are as follows:-

1. Bobby Chin Yoke Choong (Chairman)
2. Jeffery Chan Cheow Tong
3. Ko Kheng Hwa
4. Josephine Choo Poh Hua

Both Mr Bobby Chin and Mr Jeffery Chan possess chartered accountant qualifications. The other ARC members have accounting and financial management knowledge from their professional education and experiences.

None of the ARC members were previous partners or directors of the existing auditing firm within the previous twelve months and none of the ARC members hold any financial interest in the auditing firm.

In accordance with its terms of reference, the ARC meets regularly to perform the following functions:-

- review the Company's quarterly and annual financial statements, and any announcements relating to the Company's financial performance;
- review related party transactions and interested person transactions to ensure compliance with the regulations set out in the SGX Listing Manual;
- review the audit plan and audit report of the external auditors, their evaluation of the system of internal accounting controls, and management's responses to the recommendations;

CORPORATE GOVERNANCE REPORT

- review the scope and results of the external audits, their cost effectiveness, and the independence and objectivity of the external auditors;
- nominate external auditors for appointment or re-appointment, and review the remuneration and terms of engagement of the external auditors;
- review the internal audit programme including the scope and results of the internal audit procedures, and management's responses to the recommendations;
- review the independence and resource capability of the internal auditors, and the adequacy and effectiveness of internal audits;
- approve the appointment or re-appointment, evaluation and remuneration of the internal auditors;
- review the Company's level of risk tolerance, its risk strategy and risk policies; and ensure that the Company sets a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- review the Company's overall risk assessment process and risk assessment framework; and review the parameters used in these measures and the methodology adopted;
- review risk reports on the Company and review and monitor management's responsiveness to the findings;
- review the Company's procedures for detecting fraud, including the whistle-blowing policy; and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- review and report to the Board on the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and information technology controls, and risk management systems.

The ARC has full access to the internal and the external auditors and meets them at least once a year without the presence of management. It has full authority and discretion to invite any director or senior officer to attend its meetings.

The Company has provided all ARC members with a copy each of the Guidebook for Audit Committees in Singapore (Second Edition) issued jointly by the Monetary Authority of Singapore (**MAS**), the Accounting and Corporate Regulatory Authority (**ACRA**) and the SGX, and the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council. In carrying out their responsibilities, the ARC members refer to these guidelines as appropriate. In addition, the ARC members have access to professional resources to keep themselves abreast of changes to accounting standards and issues which may have a direct impact on financial statements.

Audit & Risk Committee's commentary on key audit matters

The ARC had discussed the key audit matters for FY2017 with the management and the external auditors. The ARC concurred with the basis and conclusions included in the auditors' report with respect to the key audit matters for FY2017. For more information on the key audit matters, please refer to pages 72 to 75 of this Annual Report.

Fees paid to external auditors (Guideline 12.6)

SGX Disclosure Guide:

- (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.
- (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.

The total fees paid to the external auditors, KPMG LLP, for FY2017 are as disclosed in the table below:-

External auditor fees for FY2017	S\$'000	% of total audit fees
Total Audit Fees	463	
Total Non-Audit Fees	224	33%
Total Fees Paid	687	

CORPORATE GOVERNANCE REPORT

The ARC had reviewed the nature of non-audit services provided by the external auditors in FY2017. Based on the evaluation of external auditors for FY2017, and taking into consideration the external auditors' confirmation of independence, the ARC was of the opinion that the level of non-audit services and non-audit fees would not affect the independence and objectivity of the external auditors. The non-audit fees did not exceed 50% of total fees paid as prescribed under Regulation 12, Part IV of the Companies Regulations.

For FY2017, the external auditors were assessed based on the audit quality indicators disclosure framework introduced by ACRA in October 2015.

Whistle-blowing policy

The Company has in place a whistle-blowing policy. The objectives of the whistle-blowing policy are to:-

- communicate the Company's expectations of employees of the Group in detecting fraudulent activities, malpractices or improprieties;
- guide employees on the course of action when addressing their concerns or suspicions of fraudulent activities, malpractices or improprieties;
- provide a process for investigations and management reporting; and
- establish policies for protecting whistle-blowers against reprisal by any person internal or external to the Group.

The Company encourages its officers and employees of the Group to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities.

In the pursuit of good corporate governance, the Company encourages its officers, employees, vendors/contractors, consultants, suppliers and/or any other parties with whom the Group has a relationship to provide information that evidences unsafe, unlawful, unethical, fraudulent or wasteful practices.

To ensure independent investigation and appropriate follow up action, all whistle-blowing reports are submitted to the Chairman of the ARC.

All whistle-blower reports, including anonymous complaints are brought up to the ARC for review and reported to the Board.

INTERNAL AUDIT (PRINCIPLE 13)

Internal auditors (Guideline 13.1)

SGX Disclosure Guide:

Does the Company have an internal audit function? If not, please explain why.

The Company's internal audit function is outsourced and its current internal auditor is Nexia TS Risk Advisory Pte. Ltd. The internal auditor reports directly to the Chairman of the ARC on audit matters and to the management on administrative matters. The ARC reviews the internal audit reports and assesses the effectiveness of the internal auditor by examining the followings:-

- the internal audit plan to ensure that the internal auditor has adequate resources to perform the audit;
- the scope of the internal audit work to ensure that majority of the identified risks are audited by cycle;
- the quality of the internal audit report to ensure the effectiveness of the internal auditor; and
- the independence of the internal auditor.

The internal auditor has unfettered access to all Company's documents, records, properties and personnel, including the ARC.

The internal auditor has confirmed that all their team members are corporate members of the Institute of Internal Auditors (**IIA**) and are equipped with and practising the recommended standards by the IIA.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS (PRINCIPLE 14)

The Company endeavours to treat all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' rights.

COMMUNICATION WITH SHAREHOLDERS (PRINCIPLE 15)

Investor relations (Guideline 15.4)

SGX Disclosure Guide:

- (a) *Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?*
- (b) *Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?*
- (c) *How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?*

The Company has a formalised investor relation policy which sets out the Company's principles and procedures for communicating with shareholders and the investment community. A copy of the investor relation policy can be found under the "Investor Relations" section of the Company's corporate website at <http://www.hobee.com>.

In line with the Company's obligations for continuing disclosures, the Board's policy is for shareholders to be informed of all major developments and transactions that impact the Group.

Information is disseminated to shareholders on a transparent and timely basis. All price sensitive information and financial results announcements are publicly released via SGXNet. The Group's results, annual reports and media releases can also be found under the "Investor Relations" section of the Company's corporate website at <http://www.hobee.com>.

The Company notifies investors of the date of release of its financial results through an SGXNet announcement about three weeks in advance. Results announcements are made within the prescribed timeframe. Results for the first three quarters are released via SGXNet not later than 45 days after the quarter end and full year results are announced within 60 days from the financial year end. Each quarterly and full year financial results announcement is accompanied by a media release.

The Company's investor relations function is led by the Finance Director who has the strategic management responsibility to integrate finance, accounting, corporate communication and legal compliance to enable effective communication between the Company and the investment community. The Finance Director meets regularly with analysts and fund managers to facilitate shareholders' and investors' communication. The Finance Director is augmented by the Board Chairman and CEO, as well as other executive and group directors, who participate and contribute actively to the Group's corporate communication and investor relation efforts.

Dividends (Guideline 15.5)

SGX Disclosure Guide:

If the Company is not paying any dividends for the financial year, please explain why.

Although the Company has not formulated a dividend policy, it has been declaring dividends since 2001. In its evaluation and recommendation of dividends, the Board takes into consideration the Group's operating performance, financial condition, cash position and planned capital needs, as well as general business conditions and risks. It is the Board's objective to pay dividends on sustainable and regular basis, and to grow dividends over time, if possible, based on the Group's financial performance and conditions.

For FY2017, the Board has recommended a first and final dividend of 8 cents and a special dividend of 2 cents per ordinary share. Subject to shareholders' approval at the annual general meeting on 26 April 2018, this proposed dividends will be paid on 31 May 2018.

CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETINGS (PRINCIPLE 16)

Shareholders are encouraged to attend the annual general meeting as this is the principal forum for any dialogue they may have with the directors and management of the Company. The Board welcomes views and questions from shareholders. The Board Chairman and CEO, together with the respective chairmen of the ARC, NC and RC are available to answer any question or issue regarding the Company.

Notices for general meetings are announced via SGXNet and advertised in the newspapers within prescribed timeframe prior to the meetings. In line with changes to the SGX Listing Rules, the Company has implemented electronic transmission of documents to shareholders. The notices, together with relevant documents (such as annual report, letter to shareholders or circular) will be published on the Company's corporate website at <http://www.hobee.com>. All shareholders of the Company will receive the notice of annual general meeting, proxy form and request form to request for hard copies of the annual report and/or letter to shareholders.

Before each general meeting proceeds, shareholders are informed of the rules and voting procedures that govern the meeting. In conformity with the SGX Listing Rules, the Company has started poll voting for all resolutions since 2016 and announced the detailed poll results via SGXNet immediately after the general meeting. The Company has also adopted electronic polling for its voting process and appointed an independent scrutineer to validate the electronic votes.

A registered shareholder (not being an intermediary) who is unable to attend the general meeting can appoint up to 2 proxies to attend, participate and vote in the general meeting on his/her behalf.

The introduction of the new multiple proxies (i.e. more than 2 proxies) regime following the enactment of the Companies Amendment Act (2014) has allowed indirect investors who hold shares through a nominee company or custodian bank or through a CPF agent bank (i.e. intermediary) to attend and vote at general meetings. CPF / SRS investors who wish to attend the general meetings should contact their respective intermediary.

Corporations providing such nominee and custodial services (i.e. intermediary) should appoint at least 2 proxies or more to attend, participate and vote in general meetings of shareholders on behalf of shareholders who hold shares through them.

The Company has not implemented absentia voting at general meetings due to concern that this may complicate the voting process. We will implement such process only if relevant legislative changes have been effected.

The Company maintains minutes of general meetings (usually within 10 days of the meetings) including substantial and relevant comments or queries from shareholders relating to the meeting agenda, and responses from Board members. These minutes will be made available to shareholders upon their request.

SECURITIES TRANSACTIONS

The Company has its own internal Code of Best Practices on Securities Transactions. Under the internal code, the Company and its officers are not allowed to deal in the Company's securities during the periods commencing two weeks before the announcement of the Company's results for each of the first three quarters of its financial year and one month before the announcement of the Company's annual results, as the case may be, and ending on the date of announcement of the relevant results. The Company and its officers are also not allowed to deal in the Company's securities while in possession of undisclosed material information of the Group. Officers of the Company are also discouraged from dealing in the Company's securities on short-term consideration.

The Company issues quarterly reminders to its directors and officers on the restrictions in dealings in listed securities of the Company as set out above, in compliance with Rule 1207(19) of the SGX Listing Manual. After the end of each financial year, all directors and officers are required to complete a checklist to confirm their compliance with the internal code. The Company has complied with the best practices set out in the SGX Listing Manual.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has adopted a set of procedures for reporting and approving interested person transactions. Details of the interested person transactions for FY2017 are as follows:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
N.A.	N.A.	N.A.

Notes: N.A. means not applicable.

All interested person transactions conducted during the financial year were less than S\$100,000 for each transaction. The interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

PROFESSIONAL CONDUCT AND DISCIPLINE

The Company has in place various staff policies including those governing conduct, confidentiality, conflict of interests, health and safety, internet usage, intellectual property and software use, personal data protection, and safe-guard of official information. All employees of the Company are required to conduct and carry themselves in a professional manner while at work, and undertake to observe and comply with the policies.