



CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensure that a high standard of corporate governance is practised throughout HB Global Limited ("HB Global" or "the Company") and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance ("MCCG") to enhance business prosperity and maximise shareholders' value. In 2017, the MCCG, which supercedes its earlier edition, takes on a new approach to promote greater internalisation of corporate governance culture. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2017 pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Leadership

The Group is led and controlled by an effective Board. The Board provides strategic direction for the Group and regularly meets to review corporate strategies, resolve operational affairs and monitor the financial performance of the Group.

The Board assumes responsibility for the effective stewardship and control of the Group and its members have established a term of reference to assist them in the discharge of their responsibilities.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Executive Directors of the Company, is responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Executive Director briefs the Board on business performance and operations as well as the management initiatives during quarterly Board's meetings.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

The principal roles and responsibility assumed by the Board are as follows:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations program or shareholder communications policy for the Group; and



CORPORATE GOVERNANCE STATEMENT (cont'd)

- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board will normally hold meetings at least four (4) times in each financial year to consider:

- relevant operational reports from the management;
- reports on the financial performance;
- specific proposals for capital expenditure and acquisitions, if any;
- major issues and opportunities for the Company, if any; and
- quarterly financial statements for announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

- approve annual financial statements, and other reports to shareholders;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review the Board composition, structure and succession plan;
- review the Company's audit requirements;
- review the performance of, and composition of Board committees;
- undertake Board and individual Board member evaluations;
- review Board remuneration; and
- review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Chief Executive Director holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Chief Executive Director, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

Independent Chairman

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the Chairman of the Board is not an independent director. The Chief Executive Officer of the Company currently assumed the role of the Chairman of the Company and has the obligation to preside at various meetings, namely the shareholders' general meetings and the Board meetings. The Board of Directors of the Company, notwithstanding that the role of the Chairman is current assumes by the



CORPORATE GOVERNANCE STATEMENT (cont'd)

Chief Executive Officer, is of the opinion that the element of independence which currently exists is adequate to provide assurance that there is a balance of power and authority on the Board. In addition, the presence of the three (3) Independent Non-Executive Directors are sufficient to provide the necessary checks and balances on the decision making process of the Board. The contributions of the Independent Non-Executive Directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

Qualified and Competent Company Secretaries

The Chief Financial Officer who is also the Acting Company Secretary will attend all Board and Committee meetings and is responsible for the proper maintenance of records of the discussions on key deliberations and decisions taken during the Board and Committee meetings. Where necessary, he will seek guidance from the Company's Agent in Malaysia.

The Acting Company Secretary renders necessary assistance to the Board and ensures meeting procedures are followed and the applicable laws and regulations are complied with.

Under the direction of the Chief Executive Officer, the Acting Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

Information and Support for Directors

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than two (2) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advisers or further explanation from management and Company Secretary. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretary.

The Board has unrestricted access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, external advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

Board Charter

As part of governance process, the Board is in the midst of finalising its Board Charter which sets out the composition and balance, roles and responsibilities, operation and processes of the Board. The Board will undertake to finalise the said Board Charter and upload the same on the Company's website in due course.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Company is in the midst of preparing its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Board will undertake to develop the said Code of Conduct and Ethics and upload the same on the Company's website in due course.

Whistle-blowing Policy

The Company is in the midst of preparing its Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The Board undertake to develop the said policy and upload the same on the Company's website in due course.

Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhancing investor perception and public trust. Disclosures on corporate responsibility are presented under "Corporate Sustainability Statement" of this Annual Report.

Board Composition

The Board of HB Global comprises of five (5) members of whom two (2) are Executive Directors and three (3) are Independent Non-Executive Directors thereby meeting the minimum one-third (1/3) requirement for independent directors to be appointed to the Board as required under the Listing Requirements as well as the recommendation of MCCG whereby at least half of the Board comprises of independent directors.

The current Board composition are persons of high calibre, experienced and are professionals in their respective fields. Together, this bring a wide range of mix of industry specific knowledge, broad based business and commercial experience that are vital to the Board's successful stewardship of the Group.

Tenure of Independent Directors

Currently, the Board does not have a formal policy on the tenure for Independent Director as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Director at this juncture.

However, as recommended by the MCCG, the tenure of an Independent Director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

Currently, none of the Independent Directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

New Candidates for Board Appointment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains a very lean number of Board members. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Generally, the Board adopts a flexible approach when selecting and appointing new Directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

- i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
- ii) The Nomination Committee determines skills matrix;
- iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- iv) The Nomination Committee recommends to the Board for appointment; and
- v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

- i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
- ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
- iii) the extent to which the appointee is likely to work constructively with the existing Directors and contribute to the overall effectiveness of the Board.

Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluate the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of Directors of the Company in the future.

Currently, our Board comprise of one (1) female Director and the Board may consider appointing more females onto the Board in future to bring about a more diverse perspective

Time Commitment and Directorship in Other Public Listed Companies

The directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretary, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meetings

There were four (4) Board of Directors' meetings held during the financial year ended 31 December 2017. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

Name of Director	Total Meetings Attended	Percentage of Attendance
Shen Hengbao	4/4	100%
Meng Xiangzhen	3/4	75%
Sun Shimin	3/4	75%
Yang Chin Shen	3/4	75%
Ho Pui Hold	4/4	100%

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2017.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings may be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The proceedings and resolutions concluded at each Board meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the Company's registered office in Singapore.

The tentative dates for Board and Board Committee meetings will be notified by the Company Secretaries well in advance to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting.

Continuing Education Programs

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Yang Chin Shen	<ul style="list-style-type: none"> • Anti-Money Laundering and Countering the Financing of Terrorism • Amendments to FRS 40 Transfers of Investment Property • INT FRS 122 Foreign Currency Transactions and Advance Consideration • INT FRS 123 Uncertainty over Income Tax Treatments
Ho Pui Hold	<ul style="list-style-type: none"> • Effects of Companies Act 2016 on Accountant and Auditors by MIA • Bursa CG Breakfast Series- "Board Excellent: How to Engage and Enthuse Beyond Compliance with Sustainability • Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers – Corporate Disclosure Framework organised by Bursa Securities • Director Disclosure Obligations Under the Listing Requirements organised by Bursa Securities • Bursa Risk Management Programme - "I Am Ready to Manage Risks"

Saved as disclosed above, other Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to overseas travelling and their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge in order to enable them to discharge their responsibilities more effectively.

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretary during the Committee and/or Board meetings.

Nomination Committee

As recommended by MCCG, the Company has established the Nomination Committee comprising exclusively of Independent Non-Executive Directors. The role of the Nomination Committee is to recommend the candidates who have an optimal mix of qualifications, skills and experiences, including core competencies to the Board. The Nomination Committee is required to evaluate the effectiveness of the Board, each Committee of the Company and also to assess the contribution of each Director in relation to the effectiveness of the Board's decision-making process on an annually basis.

The present members of the Nomination Committee are:

Chairman

Ho Pui Hold - Independent Non-Executive Director



CORPORATE GOVERNANCE STATEMENT (cont'd)

Members

Yang Chin Shen - Independent Non-Executive Director
Sun Shimin - Independent Non-Executive Director

The Nomination Committee will meet at least once per year unless otherwise determined by the Nomination Committee. The quorum of the Nomination Committee meeting shall be at least two (2) members and comprised a majority of independent directors.

The Board has stipulated specific Terms of Reference for the Nomination Committee, which covers following salient functions:

- i) assessing and recommending to the Board the candidature of directors, appointment of directors to Board Committees;
- ii) reviewing of Board's succession plans and training programmes for the Board;
- iii) undertaking the assessment of the Board, Board Committees and individual directors on an on-going basis; and
- iv) undertaking annual assessment of the independence of independent directors in the Board beyond the independent director's background, economic and family relationships but considering they can continue to bring independent and objective judgment to Board deliberations.

The Nomination Committee may, as it deems fit, call for any appropriate person(s) to be in attendance to make presentations or furnish or provide independent advice to the Nomination Committee on any matters within the scope of responsibilities.

The terms of reference of the Nomination Committee can be viewed at the Company's website at www.hbglobal.com.my.

The summary of activities undertaken by the Nomination Committee during the financial year included the following :

- i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board; and
- ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

Evaluation for Board, Board Committees and Individual Directors

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self-assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2017, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire by rotation from office at every Annual General Meeting ("AGM") and they shall be eligible for re-election at such AGM. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election. All Directors are subject to retire from office at least once in every three years. Any Director appointed during the year is required to retire and seek re-election by shareholders at the first AGM following his appointment.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming AGM of the Company to be held in 2018 are as stated in the Notice of AGM.

Annual Assessment of Independence

Annual assessments will be conducted by Nomination Committee on annually basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 December 2017, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

Remuneration Committee

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The Remuneration Committee meet at least once a year and when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Directors. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages. The quorum of the Remuneration Committee meeting shall be two (2) members and comprised a majority of independent directors. However, the ultimate responsibility to approve the remuneration of these Directors remains with the Board as a whole. The Executive Directors are not involved in any decisions with regard to their own remuneration.

The present members of the Remuneration Committee are as follow:

Chairman

Sun Shimin - Independent Non-Executive Director

Members

Shen Hengbao - Chief Executive Officer

Yang Chin Shen - Independent Non-Executive Director

The summary of activities undertaken by the Remuneration Committee during the financial year included the following:

- i) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors; and
- ii) Reviewed and recommended the Executive Directors remuneration package.

Remuneration Policy

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.



CORPORATE GOVERNANCE STATEMENT (cont'd)

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial year ended 31 December 2017 are as follows:

Director	Company		Group	
	Fees (RMB'000)	Salaries and * other emoluments (RMB'000)	Fees (RMB'000)	Salaries and * other emoluments (RMB'000)
Shen Hengbao	-	-	-	1,000
Meng Xiangzhen	-	-	-	400
Sun Shimin	-	-	20	-
Yang Chin Shen	170	-	170	-
Ho Pui Hold	122	-	122	-
Total	292	-	312	1,400

Remuneration of Top Five (5) Employees

The total remuneration received by top five (5) employees of the Group including salary, bonus, benefits in-kind and other emoluments in bands width of RMB50,000 for the financial year ended 31 December 2017 are as follows:

Name	Range of Remuneration	
	RMB50,001 to RMB100,000	RMB400,001 to RMB450,000
Ang Kong Siang		√
Yao Zhi Fang	√	
Liu Fu Liang	√	
Chen Cai Xia	√	
Wang Jun Di	√	

Details of total remuneration received by the above employees are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.



CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors. The present members of the Audit Committee are as follows:

Chairman

Yang Chin Shen - Independent Non-Executive Director

Members

Ho Pui Hold - Independent Non-Executive Director

Sun Shimin - Independent Non-Executive Director

Terms of Reference

The terms of reference of the Audit Committee are as follows:

1. Membership

- (i) The Audit Committee shall be appointed by the Board.
- (ii) It shall comprise at least three (3) members who must be Non-Executive Directors, with a majority of them being Independent Directors.
- (iii) The Chairman of the Audit Committee shall be appointed by the Audit Committee amongst the members of the Audit Committee themselves and shall be an Independent Director.
- (iv) If the number of members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s), the Audit Committee shall, within three (3) months of that event, appoint amongst such other directors, a new member to make up the minimum number required herein.
- (v) At least one (1) member of the Audit Committee:
 - (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - (b) if he/she is not a member of the MIA, he/she must have at least three (3) years working experience and :-
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (c) must possess such qualifications as may from time to time be prescribed by the Bursa Securities.
- (vi) An alternate director is not eligible for membership in the Audit Committee.

2. Authority

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. The Audit Committee shall have unlimited access to both the internal auditors and external auditors as well as all employees of the Group. The Audit Committee shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Duties and Responsibilities

- (i) To review with the internal auditor their audit plans, the reports and the system of internal control.
- (ii) To review the adequacy of scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.



CORPORATE GOVERNANCE STATEMENT (cont'd)

- (iii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (iv) To review the assistance and cooperation given by the Company's management to the external auditor and internal auditor.
- (v) To review the plans of the external auditor of the Company, and their reports arising from the audit.
- (vi) To review the cost effectiveness, independence and objectivity of the external auditor.
- (vii) To review the nature and extent of non-audit services provided by the external auditor.
- (viii) To review the quarterly unaudited condensed financial statements and the year end financial statements of the Group before submission to the Board, focusing particularly on:
 - any changes in accounting policies and practices;
 - any significant and unusual results or events; and
 - compliance with accounting standards and other legal requirements.
- (ix) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (x) To review with the external auditor their audit report, management letter and Management's response.
- (xi) To recommend to the Board the appointment or reappointment of the external auditor and internal auditor, audit fee, and where applicable, their resignation and dismissal.
- (xii) To undertake such other responsibilities as may be agreed to by the Committee and the Board of Directors.

4. Meetings

- (i) The Audit Committee shall hold at least four (4) meetings a year and such additional meeting(s) as the Chairman of the Audit Committee shall decide in order to fulfill its duties.
- (ii) Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the Board of Directors, the Management, staff and representatives of the external auditor and internal auditor to be present at the meeting of the Audit Committee.
- (iii) A quorum shall consist of two (2) members. The majority of members present must be Independent Non-Executive Directors.
- (iv) Notices of not less than two (2) working days shall be given for the calling of any meeting to members.
- (v) Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.
- (vi) A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.
- (vii) Proceedings of all meetings held and resolutions passed as referred to in clause (vi) above shall be recorded by the Company Secretary and kept at the Group's registered office.
- (viii) Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.
- (ix) The external auditors shall have the right to attend and be heard at any meeting and shall attend before the Audit Committee when so required by the Audit Committee.



CORPORATE GOVERNANCE STATEMENT (cont'd)

- (x) Upon the request of the external auditors, the Chairman shall convene a meeting to consider any matters that the external auditors recommend should be brought to the attention of the Directors or shareholders of the Company.
- (xi) Where necessary, the Audit Committee shall meet with the external auditors without the presence of the executive board members of the Group.

A copy of the terms of reference of the Audit Committee can be viewed at the Company's website at www.hbglobal.com.my.

Attendance of Meetings

During the financial year ended 31 December 2017, the Audit Committee held four (4) meetings. Details of the attendance of committee members are as follow:

Name of Director	Attendance	Percentage of Attendance
Yang Chin Shen	3/4	75%
Ho Pui Hold	4/4	100%
Sun Shimin	3/4	75%

Summary of Activities

The main activities that were undertaken by the Audit Committee during the financial year ended 31 December 2017 include the following:

- i) Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- ii) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2017;
- iii) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- iv) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- v) Evaluated the performance of the external auditors for the financial year ended 31 December 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;
- vi) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;
- vii) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- viii) Reviewed the effectiveness of the Group's system of internal control;
- ix) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;
- x) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- xi) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- xii) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and
- xiii) Report to the Board on its activities and significant findings and results.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Independence of the Audit Committee

HB Global recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit Committee Members

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profile on pages 3 to 4 of this Annual Report. During the financial year ended 31 December 2017, save for Mr Sun Shimin, all other members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2017 are prepared in accordance with all applicable accounting policies. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

In assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

- i) the adequacy of the experience and resources of the External Auditors;
- ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is approved via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2017.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of Messrs UHY Lee Seng Chan & Co. as the External Auditors of the Company for the financial year ending 31 December 2018.

Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further elaborated in pages 28 and 29 on the Statement on Risk Management and Internal Control of this Annual Report.

Internal Audit Functions

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

The Internal Audit firm appointed by the Company is staffed by a total of twelve (12) professionals and it is led by Mr. Jason Tee as the Head of Internal Audit. Mr. Jason Tee holds a degree of Malaysia (IIA) and Bachelor of Commerce (Hons) Accounting and is member of Institute of Internal Audit. The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting of each financial year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

CORPORATE GOVERNANCE STATEMENT (cont'd)



The cost incurred for the Internal Audit function during the financial year is approximately RM40,000.

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- i) Treasury Function; and
- ii) Payroll Function.

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing requirements of Bursa Securities.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Leverage on Information Technology for Effective Dissemination of Information

In its efforts to promote effective communication, the Board recognises that timely and equal dissemination of consistent and accurate information are provided to them through public announcements made throughout the year to Bursa Securities. The shareholders and members of the public are also invited to access the Group's website at www.hbglobal.com.my for the latest information on the Group.

Shareholders and investors may also forward their queries to the Company via email to ph.hbglobal@gmail.com.

Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chief Executive Officer or the Executive Directors of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Encourage Shareholders' Participation at General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.



CORPORATE GOVERNANCE STATEMENT (cont'd)

At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Tenth (10th) AGM of the Company held on 29 May 2017, majority of Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- iv) Annual General Meetings.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.

CORPORATE GOVERNANCE STATEMENT (cont'd)



STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial year to give a true and accurate view of the financial state of the Group and the Company and of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have:

- Overseen the overall conduct of the Company's business and that of the Group;
- Identified principal risks and ensured that an appropriate system of internal control exists to manage these risks;
- Reviewed the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Ensured compliance with the applicable approved accounting standards.

The Directors are responsible for ensuring that proper accounting and other records are closed with reasonable accuracy at any time reflecting the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, applicable approved accounting standards and other legal requirements.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2017, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.