

The Company believes in having high standards of corporate governance, and is committed to making sure that effective self-regulatory controls exist to protect the interests of its shareholders. These include, inter alia, a Board of Directors comprising high calibre members, Board Committees, an internal audit function, a development and asset performance function and best corporate practices in areas such as securities transactions.

Board of Directors and its Committees

The Board of Directors is responsible for the corporate governance of the Company. Currently, it consists of ten members, of whom eight are non-executives. Brief details of their wide ranging responsibilities and qualifications are set out on page 12.

The Board meets regularly on a quarterly basis to review and approve appropriate strategic, operational and financial matters, supervise executive management and ensure that the Company's strategies lead to enhanced shareholder wealth. Each Board member has equal responsibility to oversee the business and affairs of the Company. The Chairman and Managing Director, and the Executive Director are responsible for the day-to-day operation and administration of the Company.

Three Board Committees continue to undertake specific roles. These are the Audit Committee, the Share Option Scheme Committee and the Board Committee (Delegated Powers), the last mentioned of which is delegated the responsibility of approving routine matters such as the affixation of the Company's seal and approval of loan documentation. All other key matters, eg appointment of additional Directors, significant capital expenditures, etc are dealt with by the Board of Directors.

The Audit Committee meets four or five times a year, and discharges the following delegated functions:

- (i) Reviews with external auditors their audit plan and scope of audit examination;
- (ii) Reviews with external and internal auditors their evaluation of the Group's internal controls, together with management's response;
- (iii) Reviews the assistance given to the external and internal auditors by the Company's officers;
- (iv) Reviews the Company's interim and annual announcements before they are submitted to the Board for approval;
- (v) Reviews the accounts of the Company and the Group before submission to the Board for approval, together with the report of the external auditors thereon;
- (vi) Recommends the appointment of external auditors;
- (vii) Reviews interested person transactions.

CORPORATE GOVERNANCE

(continued)

Corporate Governance *138*

Internal Audit Function

The Company's internal audit team performs two types of audits - the traditional financial audits and the audits of other management processes. In the first type of audit, tests are conducted to verify the Group's assets and liabilities, and also to check for compliance with the Company's system of internal financial control. This control system comprises all the procedures which combine to give the Board of Directors reasonable assurance of:

- the maintenance of proper accounting records, and the reliability of financial information used within or published by the Group; and
- the safeguarding of the Group's assets against unauthorised use or loss.

For management audits, areas such as productivity, information security and business strategy are covered.

Staffed by suitably qualified executives, the internal audit team has a direct access line to the Audit Committee.

Development and Asset Performance Audit ("DAPA") Function

The DAPA function was set up in December 1996. It is a quality control process in respect of design development for all the Group's projects from commencement to completion to ensure that completed projects are consistent with project objectives and market demands. The audit is another tool for understanding the operating and financial performance of the Group's completed properties so as to identify opportunities for improvement. In other words, DAPA seeks to safeguard the value of the Group's assets by checking compliance with standards set internally based on customer and competitor information, and by seeking ways to exceed the standards set.

Securities Transactions

The Company has issued a policy on dealings in its securities to executives within the Group, setting out the implications of insider trading and guidance on such dealings. It has adopted in full the Best Practices Guide on Dealings in Securities issued by the Stock Exchange of Singapore Limited.

Year 2000 Issue

The Company is aware of the importance of the Year 2000 issue, and understands “Year 2000 Compliance” to mean that neither the performance nor functionality of its critical equipment or systems will be affected by data relating to dates prior to, during and after the Year 2000, or that contingency plans have been made to manage the consequences of non-compliance.

The Company has, in October 1997, established a Millennium Project Committee to conduct an audit of all its computerised building management and automated systems, in all properties presently owned or managed by it, to check for Year 2000 Compliance. Inventory checks as well as testing with external consultants and in-house staff have been completed. Work to convert or replace all affected hardware and software is progressing, and all the Company’s systems are expected to achieve Year 2000 Compliance by end-June 1999. The period set aside for testing (where applicable) of relevant systems is approximately three months.

The estimated costs of the Company’s Year 2000 efforts are expected to amount to \$1.6 million. Hardware and related costs forming the bulk of the costs will be capitalised and depreciated in accordance with established accounting policies. Services and other costs will be expensed, and have been provided for in the 1998 accounts.

The Company does not anticipate any material impact on its business, costs and revenues as a result of the issue of Year 2000 Compliance (as elaborated above).