

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
(ABN 52 007 608 755)

CORPORATE GOVERNANCE STATEMENT

The board of directors (“the Board”) of Phileo Australia Limited (“the Company”/ “the Group”) believes that good corporate governance practices are of high importance to the long-term strategic objective of the Company and its drive for sustainable continuous growth while achieving operational excellence.

The Board is committed to ensuring the highest standard of corporate governance is practised throughout the Group as a fundamental part of discharging its responsibilities in safeguarding the interest of all stakeholders as well as enhancing shareholders’ value and financial performance of the Group.

The following sets out the policies and charters of the Group having generally applied the Principles of Good Corporate Governance and Best Practice Recommendations published by The Australian Securities Exchange (“ASX”). Unless disclosed below, all the best practice recommendations of The ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2017.

This Corporate Governance Statement has been approved by the Board and is current at 30 June 2017

Principle 1 - Lay solid foundations for management and oversight

The Board has the overall responsibility for the business affairs of the Group. It devises and approves strategic plans, business development initiatives, providing direction and guidance to the Management in meeting the Group’s short and long term goals. The management team consists of only executive directors of the company.

Board Roles and Responsibilities

Functions reserved to the Board and those delegated to management are formalised and structured.

The Board leads the corporate strategy and directions of the Group, and oversees the proper conduct of the Group’s businesses.

The main roles of the Board include:

- reviewing management’s preceding month’s operating and financial results including cash flows, projections and comparison with budgets, reviewing property reports, assessing proposed new projects and tenancies, major expenditures, reviewing funding requirements and financing options, and formulating action plans to achieve desired results;
- the formal approval and adoption of annual, half-yearly and monthly financial reports prepared by management;
- the establishment of the medium and long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of management’s annual operating budgets and cash flow budget for the financial performance of the company;
- monitoring the property market trend and opportunities, the competitive environment, business and financial risk factors, and developing action plans in anticipation or in response as may be required;
- assessing and providing oversight over management performance and operations; and
- ensuring that the company has implemented adequate policies, operating and back up/recovery procedures, systems of internal and financial controls and risk management, financial reporting systems of integrity, and appropriate monitoring of compliance activities.

The Board conducts at least six (6) regularly scheduled meetings annually, with additional meetings convened as necessary depending on business requirement. Board papers with sufficient notice of Board meetings are distributed to Directors before Board meetings so that Directors have sufficient time to better understand specific matters requiring Board’s deliberation at the meetings.

During Board meetings, the Non-Executive Directors are briefed on, amongst others, major operational, financial and corporate issues, activities and performance of projects, divisional performance, business outlook, major acquisition and disposal of assets including investments and changes in the requirements of regulatory bodies.

All Directors have full and unrestricted access to all information within the Group and direct access to the advice and services of the Company Secretary who advises the Board on the Company’s policies and procedures, Directors’ responsibilities under the respective legislations and regulations, Company’s compliance with the relevant laws and regulatory requirements.

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The directors, if required, may take independent advice, at the Company's expense, in furtherance of their duties.

Board proceedings, deliberations in terms of issues discussed and the conclusions of the Board at every Board meeting are recorded in the Board minutes duly signed by the Chairman of the Meeting. The minutes provide a historical record and insights into those decisions.

The Board also exercises control on matters that require its approval by way of circular resolutions and informal meetings.

Although all the directors have equal responsibilities for the Group's operations, the roles of the independent non-executive directors are particularly important in bringing independent judgement and ensuring all issues proposed by the executive management are fully discussed and examined to take into account the long term interests, not only of the shareholders but also of other stakeholders such as the employees, customers and business associates.

The Managing Director reports to the Board and is primarily responsible to run the business and implement the policies and strategies adopted by the Board. He is responsible for communicating matters relating to the Group's business and operations to the Board. With his hands-on knowledge of the Group's business and affairs, the Managing Director takes on the primary responsibility for leadership of the Company and contributes significantly towards the achievement of the Group's goals and objectives. The Managing Director is assisted by all executive directors of the company.

The roles and responsibilities of the Chairman are separate and distinct from those of the Managing Director to ensure that there is check and balance and authority at the helm. The Chairman is responsible for leadership of the Board and effectively controls the orderly and effective functioning of the Board. As part of the Chairman's role, the Chairman ensures that the Board meets regularly throughout the year, maintains the balance of membership on the Board, ensures all relevant issues are on the agenda, all directors receive accurate, timely and clear information relating to the issues on the agenda prior to deliberation at Board meetings, so that they can make an effective contribution as Board members, and provide advice to promote the success of the Company.

The Chairman is assisted by Management and the Company Secretary. The Company must have at least one Company Secretary who is appointed by the Board. The Company Secretary is accountable to the Chairman and responsible for coordination of all board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. The Company Secretary is to provide advice to the Board and its committees on governance matters and all directors will have direct access to the Company Secretary.

The Chairman encourages a healthy debate on issues on the agenda, provides reasonable time for discussion of complex and contentious issues, and ensures that all decisions reflect the collective views of the Board.

Management is responsible for implementing the strategic objectives and operating within the risk appetite set by the Board. Management also works with the Board on all other aspects of the day-to-day running of the Company. It is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Appointment to the Board

Appointments to the Board are made based on the recommendation of the Remuneration Committee. Each executive director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each executive director clearly understands the Company's expectations of him or her. The company currently does not have a formal letter of appointment for its non-executive directors.

In addition to being responsible for guiding the remuneration structure of the Company, when required, this committee is responsible for identifying suitable candidates to act as directors of the Company and undertaking appropriate checks of candidates before putting it forward to the Board and security holders for election as a director.

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Performance Evaluation

Due to the small size of the company, there is no formal board performance review structure as yet. However, the members of the Board work closely together and are therefore able to assess and encourage improved performance of the management where applicable. Outside consultants are used where necessary to complement Board and management expertise in enhancing company performance. Other than the members of the Board of Directors, there were no other persons who were members or senior executives of the consolidated group.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Although, due to the size of the company, the Board does not presently have a formalised policy on diversity, the company has employees of different gender, age, ethnicity and cultural background.

Principle 2 – Structure the Board to add value

In accordance with the Articles of Association of the Company the Board should consist of a minimum of 3 directors and a maximum of 7 directors.

The Board shall comprise:

- ideally a majority of independent non-executive directors (currently 3 of 5);
- directors with an appropriate range of skills, experience and expertise;
- directors who can understand and competently deal with current and emerging business issues; and
- directors who can effectively review and challenge the performance of management and exercise independent judgment

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report. The directors, individually and collectively bring to the Board the relevant skills, business experience, insights and professional judgment to bear on issues of strategy, performance, resources and standards of conduct.

The names of the independent directors of the company are Graham Homes (Chairman), and Andrew Chooi Seng Hang. The chair of the Board is an independent director who is not the Managing Director or Chief Executive Officer of the Company.

An independent non-executive director is one who is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment and who otherwise meets the criteria for independence set out in the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases are made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income from an individual or entity directly or indirectly associated with the director is derived from a contract with any member or the economic entity other than the income derived as a director of the entity.

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The Company has five directors, of which three are non-executive directors. Two of the three non-executive directors are also independent directors. Given the size of the company and stages of development of its property portfolio it is considered appropriate for majority of directors to be non-independent.

To assist the Board in the discharge of its oversight function, the Board has delegated specific responsibilities to two [2] board committees which include the Audit Committee, and Remuneration Committee. These Committees have the authority to examine particular issues within their terms of reference and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

In accordance with the Company's Articles of Association, at least one-third of the directors shall retire from office once in every three (3) years but shall be eligible for re-election at the Annual General Meeting ("AGM"). Accordingly, no director with the exception of the managing director stays in office for more than three (3) years without being re-elected by shareholders.

With in-depth knowledge of the Group's business operations and activities, the directors are in position to contribute meaningfully to the Group's conduct of business. The Board values such skills, in addition to other qualities and will exercise discretion in the review of Board composition and appointments.

The Group acknowledges the fact that continuous education is vital for the Board to gain insight into the state of the economy, changing commercial risks, technological advances in our core businesses, latest regulatory requirements and management strategies. As such, the directors are updated from time to time on relevant new laws and regulations or will attend relevant trainings and workshops, when necessary, to equip themselves with the relevant knowledge to discharge their responsibilities and duties more effectively.

Due to the small size of the company and composition of the board, there is no formal program for the induction of new directors. The company will do so when it expands.

Nomination committee

The company does not have a formal nomination committee as it is a small cap company. It will do so when it expands.

Principle 3 – Act ethically and responsibly

The Board acknowledges and emphasizes the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

The Board has adopted a Code of Conduct requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

The company's main stakeholders are security holders, employees, suppliers, contractors, customers, community, and regulators. Although there is currently no formal code of conduct to guide compliance with legal and other obligations to such stakeholders, the Board is aware of its responsibilities. This includes ensuring employee entitlements are paid up to date, suppliers and contractors are paid within allowed credit terms, tenants and customers receive adequate support, developments are completed in line with investor, community and environmental expectations, and regulatory guidelines and legal requirements are complied with.

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Principle 4 - Safeguard integrity in corporate reporting

The Board established an Audit Committee to make reviews and make recommendations in relation to the integrity of the Company's financial reporting processes and its financial statements.

Audit Committee

All non-executive directors are the members of the Audit Committee. Michael Loke, is the chair for the Audit Committee meetings. Given the size of the Company it is considered appropriate for a non-independent director, Michael Loke, to chair the Audit Committee, however, he is not the chair of the Board.

The information on the relevant qualifications and experience of the members of the committee and, the number of times the committee met throughout the period and the individual attendances of the members at those meetings is presented in the directors' report

Objectives and Duties:

- Oversee all matters relating to internal and external audits;
- Review system of internal controls and risk management;
- Review of financial statements before submission to the stock exchange; and
- To consider any related party transactions and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity.

The Board shall from time to time review the objectives and duties of the Audit Committee with a view to expand its roles commensurate with the expansion of the business of the Group and when necessary change or modify the composition and objectives of the Audit Committee from time to time by resolution.

Responsibilities:

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Audit Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary. The Audit Committee, when required, is also authorized to convene meeting with the external auditors and internal auditors separately.

The Company's Managing Director, and Chief Financial Officer must provide a declaration that, in their opinion, the financial records of the Company for each financial year and half year have been properly maintained in accordance with the *Corporations Act 2001* ("Act"), and that the financial statements and the notes for the financial year comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. The Board must receive this declaration before they approve the financial statements for the financial year and half year.

Reporting to the Board:

The Audit Committee's Chairperson must report to the Board after each meeting.

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Principle 5 - Make timely and balanced disclosure

The Group is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules ("Listing Rules") and the Act. The disclosure obligation requires continuous disclosure of a price-sensitive information to the market. Price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of an entity's securities.

The Board has appointed the Managing Director and executive directors to act as 'Disclosure Officers' to:

- ensure the Group immediately discloses all price-sensitive information to ASX in accordance with the Listing Rules and the Act;
- ensure officers and employees are aware of the Group's continuous disclosure obligations; and
- establish procedures for
 - (a) the collection of all potentially price-sensitive information;
 - (b) assessing if information must be disclosed to ASX under the Listing Rules or the Act;
 - (c) releasing to the ASX information determined to be price-sensitive information; and
 - (d) responding to any queries from ASX

The Disclosure Officers are also responsible for:

- (a) deciding what information must be disclosed to the ASX ensuring (using all reasonable endeavors) announcements are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions;
- (b) conducting all disclosure discussions with the ASX; and
- (c) communicating with the ASX where required.

If the Disclosure Officers are unsure if information is price-sensitive or if it must be disclosed, the Disclosure officers must discuss the information with available members of the Board who will, if necessary, seek external legal or financial advice. Market speculation and rumors, whether substantiated or not, have the potential to impact the Group. The Group's general policy is that it does not respond to market speculation or rumors. However, the Board may decide to make a statement in response to market speculation or rumors if it considers it is appropriate to do so. The Group may ask ASX to halt trading in Group Securities to maintain orderly trading in its securities; and/or manage disclosure issues. The decision about trading halts can be only made by the Managing Director.

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Principle 6 - Respect the rights of security holders

The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. Additionally, the Company aims to ensure that that senior management and other employees are not dealing in the Group's shares listed on the ASX on the basis of inside information. Inside information is generally information that is not generally available and if it were generally available, would or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the relevant securities.

To achieve this, the Company has implemented:

- a) a Communication Policy; and
- b) a Security Trading Policy

Communications Policy

This policy aims:

- to communicate effectively with all security holders;
- give security holders easy and timely access to balanced and understandable information about the Group; and
- ensure security holders can easily participate in general meetings.

The Communication Policy is developed by the Company Secretary subject to Board review and modification. Such policy applies to all Board members as well as officers and employees of the Group.

Method of Communication

Information will be communicated to security holders in the following way:

- ASX Announcements;
- Website;
- Email;
- Post; and/or
- Meetings

The Company encourages full participation of shareholders at its Annual General Meeting (AGM) each year. Shareholders are encouraged to lodge proxies electronically if they are unable to attend in person. The Company also encourages written questions to be submitted by shareholders before the AGM and the Board and the auditors will be available to answer those questions during the AGM

The company's external auditor is invited to the company's Annual General Meeting and is available to reply to shareholders' questions.

The Company's Annual Reports and market announcements are available on its website and contains important information about the Company's activities and results for the previous financial years. Shareholders can elect to receive the Company's Annual Report or concise report as an electronic copy or in hard copy through the mail. The Company is also in process of updating additional information about itself and its governance to shareholders via the Company's website at: <http://www.palltd.com.au/about.php>.

All material information to security holders shall be approved by the Board before any communication; such communication shall only be made by the Chairman of the Board, Chief Executive Officer and/or the Company Secretary.

Shareholders have the option to receive communications from, and send communications to, the Company and its share registry, Boardroom Pty Limited, electronically. Shareholders' correspondence and reasonable requests by shareholders are dealt with as soon as possible by the Company Secretary after consulting the Disclosure Officers

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or else referred to the share registry where appropriate. Any significant issues raised by members or of a non-routine nature where appropriate are brought to the Board's attention for discussion and action as deemed necessary.

Securities Trading Policy

The Securities Trading Policy is meant as an outline on when directors, senior management and other employees may deal in the Group's shares listed on the ASX and in addition on the listed securities of another entity.

- i. Directors and employees may deal in Group Securities or the listed securities of another entity if he or she does **not** have information that he or she knows, or ought reasonably to know, is inside information in relation to Group Securities or those securities of the other entity obtained while performing their duties for the Group;

- ii. Directors and employees may not deal in Group Securities during a closed period being:
 - (a) The period of 60 days immediately preceding the preliminary announcement of the Group's Securities full year results (usually 1 July – 31 August – the exact period will be advised to all directors and staff by email in advance of the closed period commencing) or, if shorter, the period between the end of financial year and the preliminary announcement of the full year results;
 - (b) The period of 60 days immediately preceding the preliminary announcement of Group's Securities half year results (usually mid January – mid March – the exact period will be advised to all directors and staff by email in advance of the closed period commencing) or, if shorter, the period between the end of Phileo's half year and the preliminary announcement of the half year results; and
 - (c) Any other embargo period as advised by the Company Secretary after consultation with the Board

Principle 7 - Recognise And Manage Risk

Risk Management committee:

In view of the small size of the company, the company does not yet have a formal risk management committee. Therefore, the Board is responsible for recognising and managing material risk. The Board acknowledges that risk management is not about eliminating all risks but is about identifying and responding to risks in a way that creates value for the Company and its shareholders.

Risk assessment continues to be considered at regular Board meetings using property and financial reports presented and tabled at Board meetings. Areas of risks discussed by management and the Board include financial risk (cash flow and liquidity, solvency, gearing, satisfying banking covenants including interest cover/loan-valuation ratios), business risks (ability of the company to remain competitive, trade profitably and remaining viable), and regulatory risks (ensuring that the company meets all applicable legal requirements, including corporate law, local Government, planning legislations, EPA and Heritage Victoria as unique to the business). The Board is confident that it has received all relevant information from management and is assured of the effectiveness of the Company's management of its material business risks. The information on the Company's exposure to environmental risks is reported in the directors' report.

In view of the small size of the company, the company does not yet have an internal audit function. The process of evaluating and continually improving the effectiveness of its risk management and internal control processes is performed by the board.

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Principle 8 - Remunerate fairly and responsibly

Remuneration Committee and Remuneration Policies

The Company's seeks to pay its directors and executives' sufficient remuneration to attract, retain and motivate high quality personnel. The policy objectives and duties of the committee are as follows:

- to consider, in making its recommendation to the Board, candidates for all directorships/Board committees, in respect of their skills, knowledge, expertise, experience, professionalism and integrity; and in the case of independent non-executive directors, their abilities to discharge such responsibilities/functions as expected from an independent non-executive director;
- to assist Board in reviewing on an annual basis the required mix of skills and experience of the directors of the Board and Board committees;
- to recommend the appropriate Board balance and size of the non-executive participation;
- to establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual director and Board committee member including independent non-executive directors as well as the Managing Director. The assessments and evaluations are properly documented;
- to study and periodically review the remuneration packages of all executive directors; and
- to make recommendations to the board on all elements of remuneration and terms of employment for executive directors and non-executive Directors.

Composition:

The Remuneration Committee consists of Graham Homes (Chairman) and Rudy Koh.

The composition of the Remuneration Committee must comprise at all times of at least two [2] members of the Board with at least one [1] member being an independent director. The Committee shall be at liberty to appoint a secretary as it deems necessary. Given the size of the Company it is considered appropriate for a composition of the committee to be less than 3 members and independent directors not having a clear majority.

The Board decides appointments rotations and resignations within the committee having regard to the Listing Rules, the Act and the Company's constitution.

Responsibilities:

The Committee will meet as often as it considers necessary. The remuneration committee did not meet during the year as it was not considered necessary.

Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

Remuneration policies and practices:

The remuneration policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives is disclosed in the director's report of the Annual Financial Report.