

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3476
COMPANY NAME : Keck Seng (Malaysia) Berhad
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	: Applied
Explanation on application of the practice	<p>The Board is responsible for the overall performance of the Group.</p> <p>The Board's roles, responsibilities and authorities are set out in the Board Charter which is available at the Company's website – http://my.keckseng.com.</p> <p>Besides being responsible for its statutory obligations, the Board collectively is also responsible for:</p> <ul style="list-style-type: none"> ➤ the Group's overall direction, development and control. ➤ providing leadership to management. ➤ reviewing management's performance and control mechanism. ➤ monitoring the Group's financial position and performance. ➤ ensuring that adequate systems of risk management and internal control are in place. ➤ ensuring that succession planning is in place. ➤ ensuring that the Company's strategies are aligned to the interest of the shareholders and other stakeholders. <p>During the financial year ended 31 December 2019, the Board's main focus were on:</p> <ul style="list-style-type: none"> ➤ the Group's business performance. ➤ the integrity of financial and non-financial reporting. ➤ promoting good corporate governance. ➤ managing succession planning for Directors and Key Senior Management. ➤ reviewing year end corporate statements/report, internal audit and risk assessment analysis reports. ➤ updating Board and Board Committee Charters. ➤ alteration of the Company's Constitution to be in line with the Companies Act 2016 and other provisions of laws and regulations. ➤ enhancing boardroom diversity and independence.

	<p>Moving forward, the Board will focus on:</p> <ul style="list-style-type: none"> ➤ evaluating potential business opportunities. ➤ managing succession planning for Directors and Key Senior Management. ➤ strengthening policies and procedures in line with any new laws and regulations. 	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The Executive Chairman, Mr. Ho Kim Swee @ Ho Kian Guan is responsible for the following:</p> <ul style="list-style-type: none"> ➤ provide leadership to the Board. ➤ oversee the Board in effectively discharging its fiduciary duties. <p>The Chairman, with the assistance of the Company Secretary:</p> <ul style="list-style-type: none"> ➤ schedules Board meetings. ➤ ensures board papers are disseminated on a timely basis. <p>During Board meetings, the Chairman ensures that:</p> <ul style="list-style-type: none"> ➤ constructive relationships between the board members are maintained. ➤ sufficient time is given on deliberations. ➤ open, healthy and effective debates are held. <p>The roles and responsibilities of the Chairman have been clearly specified in the Board Charter, which is available on the Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of the Executive Chairman and Managing Director are held by different individuals. Mr. Ho Kim Swee @ Ho Kian Guan is the Executive Chairman whilst Dato' Ho Cheng Chong @ Ho Kian Hock is the Managing Director. Their roles and responsibilities are separated and clearly defined in the Board Charter to ensure proper balance of power and authority and no individual has unfettered powers of decision and control.</p> <p>The Executive Chairman is primarily responsible for the running of the Board whereas the Managing Director is primarily responsible for the Group's day-to-day operations and communicates policies and strategies adopted by the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by three (3) suitably qualified Company Secretaries in discharging their duties. The Company Secretaries act as a key resource support and play an advisory role to the Board and are qualified under Section 235(2) of the Companies Act 2016, experienced and competent in performing their duties. The Company Secretary(ies) attend(s) all board meetings and ensures that all board procedures are adhered to.</p> <p>The Company Secretaries' responsibilities are to update and advise the Board on:</p> <ul style="list-style-type: none"> ➤ company constitutional matters. ➤ board obligations. ➤ professional development requirements. ➤ compliance matters applicable to the Company. ➤ latest regulatory developments. <p>The Company Secretaries constantly keep themselves abreast with the regulatory changes and corporate governance development through attending the relevant conferences and training programmes. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied	
Explanation on application of the practice	:	<p>Board papers are furnished to the members of the Board at least seven (7) days prior to each Board meeting. Information to the Board is not restricted to quantitative information but may include other suitable information.</p> <p>Sufficient time is given to enable the Directors to solicit further explanation and/or information, where necessary, prior to meetings.</p> <p>Board members are also accessible to Management for information or to exchange views. They can also seek independent professional advice where necessary and in appropriate circumstances, at the expense of the Company to discharge their responsibilities effectively.</p> <p>All pertinent issues discussed at the Board and Board Committees meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries, including matters where Directors abstained from voting and deliberation. The minutes are circulated to all Directors for perusal prior to confirmation at the next meeting.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter acts as a source of reference for the Board and Management. It sets out the roles and responsibilities of the Board, Chairman and Managing Director.</p> <p>Among others, the Board reserves full rights to decide on:</p> <ul style="list-style-type: none">➤ conflict of interest issues relating to a substantial shareholder or director including approving related party transactions.➤ material acquisitions and disposals not in the ordinary course of business including significant capital expenditures.➤ strategic investments, mergers and acquisitions and corporate exercises.➤ authority limits.➤ treasury policies.➤ risk management policies.➤ key human resource issues. <p>When deemed necessary, the abovementioned matters maybe amended by the Board.</p> <p>The Board has formed three (3) Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee to assist in discharging its responsibilities. Each Board Committee is guided by its respective charter which spells out its duties and authority.</p> <p>The Board and Board Committees' Charters are reviewed and updated as and when necessary. The Board and Board Committees' Charters were last reviewed and approved by the Board on 28 February 2019. The Charters are available for reference on the Company's website at http://my.keckseng.com.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors and employees are required to uphold high ethical standards and professional conduct at all times and are guided by the Company's Code of Conduct ("COC").</p> <p>The COC covers the following:</p> <ul style="list-style-type: none">➤ employment and behavioural standards.➤ work environment.➤ ethical business standards and conduct.➤ safety, health and environmental. <p>In line with the enforcement of the corporate liability provision in the Malaysian Anti-Corruption Commission Act 2009, the Company has enhanced its COC Policy and where needed, strengthened its policies and procedures to curb any corrupt activities.</p> <p>The enhanced COC can be viewed on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	<p>Employees are encouraged to raise genuine concerns on any breach in the Company’s Code of Conduct or improprieties in financial reporting, breaches in legal obligations, criminal activities or other matters. The Company’s Whistleblowing Policy provides an avenue on which complaints can be raised and channelled to the Head of Internal Audit.</p> <p>The Head of Internal Audit who reports to the Audit Committee is responsible to handle whistleblowing cases according to a defined process as outlined in the Whistleblowing Policy.</p> <p>The Board, via the Audit Committee, reviews the Whistleblowing Policy periodically as and when necessary to ensure that it is kept contemporaneous.</p> <p>The Whistleblowing Policy has also been made available on the Company’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	The current Board comprises ten (10) Board members, including the Executive Chairman, Managing Director, one (1) Non-Independent Non-Executive Director, two (2) Executive Directors, five (5) Independent Directors and four (4) Alternate Directors. The Independent Directors, make up half of the composition of the Board. Their presence provides checks and balances on the Board as they are able to provide unbiased and independent views in Board deliberations and decision making, taking into account the interests of the Group and minority shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board and Nominating Committee ("NC") are aware that shareholders' approval is required to retain an independent director, who has served in that capacity for more than nine (9) years.</p> <p>The Board and NC are also aware that shareholders' approval through a two-tier voting process is required for the re-appointment of independent directors that have served for more than twelve (12) years.</p> <p>The Company does not have a policy which limits the tenure of its independent directors to nine (9) years. Instead, the Board has adopted the best practice for assessing the independence of independent directors i.e. when the Board retains an independent director, who has served in that capacity for more than nine (9) years, the Board will justify its decision and seek shareholders' approval.</p> <p>At the forthcoming 50th Annual General Meeting ("AGM"), the Board will seek the approval of the shareholders to retain Mr. Too Hing Yeap @ Too Heng Yip and Maj-Gen (R) Dato' Muhammad Bin Yunus to continue to serve as Independent Non-Executive Directors ("INED") of the Company based on the following justifications:</p> <ul style="list-style-type: none">➤ they have met the criteria of "Independence" under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.➤ they are able-bodied and mentally alert.➤ familiarity with the Group's operations, allowing them to actively participate in deliberations.➤ have performed their INED role diligently and based on their knowledge, experience and networking have contributed to the performance and sustainable growth of the Group.

	<ul style="list-style-type: none"> ➤ the INED remain independent during their tenure in office, as they: <ul style="list-style-type: none"> • have not developed, established or maintained any personal or social relationship with the Executive Directors, major shareholders or Management of the Company. • have never transacted or entered into any transactions with, or provided services to the Executive Directors, major shareholders or Management of the Company. • have not been offered or granted any options by the Company other than Director's fees and allowance which have been the norm. 		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<p>Measure :</p>			
<p>Timeframe :</p>	<table border="1" style="width: 100%; height: 40px;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table>		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee (“NC”) is responsible for ensuring that suitable candidates are admitted to the Board. The NC recognises that the current Board composition consists of members that bring about diverse skills, knowledge, expertise and opinions.</p> <p>The core competencies of the current Board members consist of one or more of the following:</p> <ul style="list-style-type: none"> ➤ leadership and business management. ➤ legal. ➤ accounting and financial management. ➤ internal controls, risk management and corporate governance. ➤ corporate administrative, planning and management. ➤ banking. ➤ audit assurance, financial and corporate advisory. ➤ property development. ➤ health, safety and environment. ➤ plantation. <p>The Board has adopted a Diversity Policy setting the approach to a diverse Board’s composition and Senior Management including but not limited to skills, industrial experience, background, race, age, cultural background, gender and other qualities.</p> <p>The Diversity Policy is made available on the Company’s website.</p> <p>The appointment of Senior Management falls under the purview of the Managing Director who is aware that a diverse workforce allows the Group to be competitive.</p> <p>The diversity of the Board is set out in the Corporate Governance Overview Statement of Annual Report 2019.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied
Explanation on application of the practice	:	<p>In reviewing the Board's composition, the Nominating Committee ("NC") will consider all aspects of diversity including gender diversity.</p> <p>The Board's female to male percentage stands at 10% to 90%. Ms. Lee Huee Nan @ Lee Hwee Leng is currently the only female Director on the Board, but the Board through the NC, will endeavour to search for women candidates whenever a recruitment need arises.</p> <p>Taking into consideration of the present size of the Board, this will be done over time. Notwithstanding that, the NC's main emphasis will still be on achieving an effective blend of competencies, skills, experience and knowledge for the Board. Accordingly, Mr. Liew Foong Yuen was selected and appointed as the new INED after considering his qualification, skills set, experience and competencies.</p> <p>The Group understands that maintaining a diverse and inclusive workforce is the key to improving services to customers and returns for shareholders. The Group's employees spread across all age brackets, represents a variety of nationalities, genders, work style, viewpoints and expectations. An analysis of the Group's manpower can be found in the Sustainability Statement of Annual Report 2019.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>Candidates for appointment of directors may be facilitated through recommendations from the Directors, Management, advisors or external parties including business associates.</p> <p>The Nominating Committee may seek professional advice and/or conduct search by utilising a variety of independent sources to identify potential candidates.</p> <p>During the financial year, YM Tengku Yunus Kamaruddin resigned as an INED and member of the Board Committees on 31 August 2019. In his place, Mr. Liew Foong Yuen was appointed as the new INED and member of the Board Committees on 29 November 2019. Even though his candidacy was recommended by the Executive Directors, his appointment was discussed and approved by the Board collectively. The Board opined that Mr. Liew Foong Yuen has the appropriate skills, knowledge and experience and will be able to contribute positively to the Board.</p> <p>There were no other changes to the composition of the Board save for the above.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee ("NC") consist of 5 Independent Non-Executive Directors. Mr. Too Hing Yeap @ Too Heng Yip, the Senior Independent Non-Executive Director, chairs the NC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, facilitated by the Company Secretaries making reference to the guides available and the good corporate governance compliance. No external facilitator has been used.</p> <p>The Nominating Committee (“NC”) conducts an annual assessment and evaluation on the effectiveness of the Board, Board Committees and the contribution of each individual director. The evaluation process is based on self and peer assessments whereby the Directors assessed each other and themselves, the Board as a whole and the performance of each Board Committees.</p> <p>The assessment results will be deliberated by the NC and presented to the Board. The outcome of the assessment will be properly documented.</p> <p>Based on the recent assessment, the NC is satisfied that the Board and the respective Board Committees continue to operate effectively and each Director have demonstrated commitment to their role and continue to operate effectively.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	: Applied
Explanation on application of the practice	<p>The Company has in place a Remuneration Policy and Procedures for Directors and Senior Management which sets out the criteria applied in recommending the remuneration package of the Directors (including the remuneration of Non-Executive Directors which requires shareholders' approval) and Senior Management ("SM") of the Group.</p> <p>The Remuneration Committee is responsible for reviewing the remuneration package of the Directors annually. The Directors' remuneration packages are structured to ensure that they are competitive and sufficient to attract, retain and motivate the members of the required quality to manage the Company successfully.</p> <p>Directors' fee and benefits paid reflect the individual director's responsibilities, membership of the Board and Board Committees as well as their attendance at Board and Board Committee meetings.</p> <p>The remuneration of the Executive Directors ("ED") and SM is based on the responsibilities undertaken by the respective ED and SM. Consideration is also made to ensure that the package is competitive, able to attract, retain and motivate the ED and SM. Review of the existing SM's remuneration package is under the purview of the Managing Director, is performed annually and coincides with the employees' annual performance appraisal / increment review.</p> <p>The Remuneration Policy is available for reference at the Company's website.</p>
Explanation for departure	:

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company’s desire to attract and retain the right talent in the board and senior management to drive the company’s long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company’s website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Remuneration Committee (“RC”) consist of five (5) Independent Non-Executive Directors.</p> <p>The RC reviews and recommends the remuneration of the Executive Directors of the Company for Board’s approval pursuant to the RC’s Charter as well as the remuneration of Non-Executive Directors for shareholders’ approval. The RC’s Charter which deals with its duties and authority is available for viewing on the Company’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	Details of the Directors' remuneration on a named basis and exact amount is disclosed in the Corporate Governance Overview Statement of Annual Report 2019 which is accessible by the shareholders and stakeholders.	
Explanation for departure	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Due to the sensitivity nature of remuneration, the Company is not in favour of disclosing on a named basis the remuneration of the top five (5) senior management's ("SM") remuneration component.
	:	Disclosure is made for the top five (5) SM in bands of RM50,000 but excludes the breakdown of remuneration component. The total remuneration paid to employees are also made available in the Notes to the Financial Statements (Annual Report) which allows stakeholders to make an appreciable link between the Company's overall remuneration structure and the Company's performance.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>Mr. Too Hing Yeap @ Too Heng Yip, the Senior Independent Non-Executive Director is the Chairman of the Audit Committee ("AC"), whilst Mr. Ho Kim Swee @ Ho Kian Guan is the Executive Chairman of the Board.</p> <p>Having the positions of Board Chairman and Chairman of the AC assumed by different individuals allows the Board to objectively review the AC's findings and recommendations.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>In the event any potential candidate to be appointed as a member of the Audit Committee (“AC”) was a key audit partner, the Nominating Committee will take into consideration that a cooling off period of at least two (2) years are met.</p> <p>The Board recognises the need to uphold the independence of the external auditors from the Board and Management. None of the members of the AC are former key audit partners of external audit firm(s) servicing the Company. The AC’s Charter specifically sets out the requirement for a former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the AC.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") on an annual basis, assesses the external auditors' independence and effectiveness in performing the audit before recommending their re-appointment as the Company's external auditors. Aside, the AC reviews the nature and extent of non-audit services rendered by the external auditors during the financial year and concluded that the provision of these services did not compromise their independence and objectivity.</p> <p>During the 2019's audit plan review, the external auditors have also confirmed their independence in accordance with the By-laws of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants' independence requirements.</p> <p>The External Auditors' Independence Policy can be found on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises solely of Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The current members of the Audit Committee ("AC") possess a range of skills and the requisite financial literacy to discharge its duties effectively. The qualification and experience of the individual AC members are disclosed in the Directors' Profile in the Annual Report.</p> <p>All members of the Board, including members of the AC are encouraged to undertake continuous professional development by attending trainings, workshops, seminars or briefings at the Company's expense to keep abreast with relevant industry developments including accounting and auditing standards, business practices and rules, as well as statutory and regulatory requirements.</p> <p>In 2019, the AC members have attended one or more of the following trainings:</p> <ul style="list-style-type: none">➤ Tax: Special Voluntary Disclosure Programme and Common Reporting Standards, Advisory: Integrated Reporting, Malaysian Financial Reporting Standards (MFRS) 16 – Leases.➤ MFRS 9 – Financial Instruments: Measurement & Recognition.➤ Demystifying the Diversity Conundrum: The Road to Business Excellence.➤ World Politico-Economic Trends Amidst USA-China Trade War: Opportunities & Challenges for Southeast Asia.➤ Deloitte Tax Max – The 45th Series.➤ Independent Directors Programme: The Essence Of Independence.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for establishing and maintaining a sound system of risk management and internal control to safeguard the interest of its shareholders and stakeholders.</p> <p>The Audit Committee ("AC") assist the Board in evaluating the adequacy and effectiveness of the system of risk management and internal control.</p> <p>Risk and Sustainability Committees ("RSC") formed by the respective operating business units to assist the Managing Director in ensuring that risk and sustainability management processes are in place. The RSCs identify, rate and evaluate their own risks. Measures taken to mitigate those risks are recorded in the risk assessment analysis reports. The identified risks are then reported to the AC for review and deliberation.</p> <p>For detailed information, please refer to the Statement on Risk Management and Internal Control of Annual Report 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>The current risk management and internal control framework is formulated based on the Group’s culture, needs, size and business diversity.</p> <p>The key features of the risk management and internal control system and framework of the Group are mentioned in the Statement on Risk Management and Internal Control of the Company’s Annual Report 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is carried out by its in-house Internal Audit Department ("IAD"), who reports directly to the Audit Committee ("AC"). The IAD is governed by the Internal Audit Charter and performs its duties independently.</p> <p>Annually, the AC will approve the IAD's annual audit plan and assess the:</p> <ul style="list-style-type: none">➤ internal auditors' independence, performance and effectiveness.➤ adequacy of the IAD's resources. <p>In addition, the AC meets the Head of IAD at least once annually without the presence of Management. The Head of IAD has unfettered access to the AC, the Board and Management as well as the Group's documents, records, properties and personnel.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Department (“IAD”) consists of five (5) members, of which three (3) are qualified professionals and two (2) are accounting degree holders. The IAD is headed by Ms. Suenitha Chupaya, a qualified accountant registered with the Malaysian Institute of Accountants and The Institute of Internal Auditors, Malaysia. The appointments and resignations of the internal auditors are under the purview of the Audit Committee.</p> <p>None of the IAD members have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest which could impair their objectivity and independency.</p> <p>The IAD adopts a risk-based audit approach in evaluating the adequacy and effectiveness of internal controls, reliability of information, effectiveness and efficiency of operations and compliance with laws and regulations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board ensures that the Company’s website which is accessible to the public contains all information relating to the Company, corporate announcements, quarterly financial results, Annual Report, Company’s policies and procedures and/or operation reviews so as to promote a closer association with its stakeholders.</p> <p>The Board regards the Annual General Meeting as the primary platform where its shareholders are given the opportunity to speak and seek clarifications and the Annual Report as a vital and convenient source of information for existing and potential investors and stakeholders.</p> <p>In addition, the Company has adopted the Corporate Disclosure Policies and Procedures.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company does not fall under the definition of “large companies” defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	<p>In 2019, the Notice of Annual General Meeting (“AGM”) was issued and made available on the Company’s website on 29 April 2019 which was 30 days prior to the AGM held on 30 May 2019.</p> <p>The Company had applied and the Companies Commission of Malaysia had granted the Company an extension of time to hold its 2020 AGM. The Company will fix the AGM date as soon as possible and endeavour to issue the Notice of AGM at least 28 days before the 2020 AGM. The AGM Notice includes details of the resolutions proposed along with relevant explanatory notes to enable shareholders to make informed decisions in exercising their voting rights.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors, the Group Accountant and external auditors were present at the last Annual General Meeting held on 30 May 2019 to provide meaningful responses to questions raised.</p> <p>To encourage participation of shareholders at general meetings, shareholders were invited to ask questions both about the resolutions being proposed before putting them to vote as well as matters relating to the Company's operations in general.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company's Annual General Meeting ("AGM") have always been held at an easily accessible venue and at a convenient time.</p> <p>The voting at the 49th AGM in 2019 was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. Tricor Investor & Issuing House Services Sdn. Bhd. was appointed as Poll Administrator to conduct the polling process and Asia Securities Sdn. Berhad as scrutineers to verify the poll results.</p> <p>The attendance of the shareholders present during AGM consistently represented about 60% of the total shareholdings. As such, the Board is of the view that voting in absentia and remote shareholders' participation at General Meetings are not warranted at this juncture.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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