

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3476
COMPANY NAME : Keck Seng (Malaysia) Berhad
FINANCIAL YEAR : December 31, 2017

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. ➤ the shareholders and other stakeholder's communication policy.
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 1.2

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 relations between the board members are maintained. ➤ sufficient time is given on deliberations. ➤ open, healthy and effective debates are held. 	
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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Mr. Ho Kim Swee @ Ho Kian Guan, the Executive Chairman and Dato' Ho Cheng Chong @ Ho Kian Hock, the Managing Director, both holding separate position and their respective roles and responsibilities are governed in the Board Charter.</p> <p>The roles and responsibilities of the Chairman and Managing Director are made clearly distinct to ensure proper balance of power and authority.</p> <p>The Executive Chairman's role is stated under Practice 1.2.</p> <p>The Managing Director's role is to oversee the Group's operations, policies and strategies adopted.</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>Tricor Corporate Services Sdn Bhd, an external consultant on corporate secretarial services has been appointed to provide company secretarial services and advise to the Company. The Company Secretary attends all board meetings and ensures that all board procedures are adhered to.</p> <p>The Company Secretary's responsibility is to 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.
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 at the expense of the Company to discharge their responsibilities effectively.</p> <p>Minutes are taken at every meeting and are circulated in a timely manner by the Company Secretary.</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 role and responsibilities of the Board, Chairman and Managing Director.</p> <p>Among others, the Board reserves the right to decide on:</p> <ul style="list-style-type: none"> ➤ the annual and quarterly results. ➤ material acquisitions or disposals in relations to any corporate restructuring. ➤ material agreements. ➤ material capital expenditure. ➤ long-term plans. ➤ dividends and directors’ fees. <p>The Board Charter is reviewed and updated as and when necessary, with the latest updates being approved on 28 Feb 2018. The Charter is available for reference on the Company’s website at http://my.keckseng.com.</p> <p>The Board has formed three (3) board committees to assist in discharging its responsibilities. These board committees are namely the Audit Committee, Nominating Committee and Remuneration Committee. Each board committee is guided by its respective charter which spells out its terms of reference including its authorities. The Audit, Nominating and Remuneration Charters can also be found at 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

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>The COC can also 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	:	Employees are encouraged to report any breach in the Company's COC or improprieties. The Company's Whistleblowing policy provides an avenue on which complaints can be raised and channelled to the Head of Internal Audit. The whistleblowing policy has also been made available on the Company's website.	
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 consist of 10 Board members. Out of which, five (5) are Independent Non-Executive Directors.	
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 are 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 has opted not to adopt this method of voting process at this point in time until a thorough and comprehensive review of the Company's Constitution is carried out to accommodate the CG Code's prescription of non-large shareholders having a stronger voice on the retention of long-serving Independent Directors through second-tier voting.</p> <p>However, the Board will still seek the approval of the shareholders in re-appointing YM Tengku Yunus Bin Kamaruddin and Maj-Gen (R) Muhammad Bin Yunus at the coming 48th Annual General Meeting and will put forth the following reasons to retain YM Tengku Yunus Kamaruddin's and Maj-Gen (R) Dato' Muhammad Bin Yunus's Independent Non-Executive Director (INED) status:</p> <ul style="list-style-type: none">➤ they have met the definition of "Independent Director" as per paragraph 1.01 of Bursa Securities' Listing Requirements.➤ both are physically and mentally fit.➤ familiarity with the Group's operations, allowing them to actively participate in deliberations.➤ have performed their INED role diligently and have contributed to the performance and growth of the Group.➤ both directors remain independent during their tenure in office, as the two INED:<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.

	<ul style="list-style-type: none"> • 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>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p>Timeframe</p>	<p>: Choose an item.</p>

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 and re-nominated to the Board. The NC recognises that the Board is to consist 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. ➤ internal controls, risk management and corporate governance. ➤ corporate administrative, planning and management. ➤ banking. ➤ audit assurance, financial and corporate advisory. ➤ international relations. <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>For further information, please refer to the Directors' Profile and Key Senior Management's Profile in the Company's Annual Report.</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>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. Taking into consideration of the present size of the Board, this will be done over time. Notwithstanding the abovementioned the NC's main emphasis will still be on achieving an effective blend of competencies, skills, experience and knowledge for the Board.</p> <p>The Group understands that maintaining a diverse and inclusive workforce is key to improving our services to our customers and returns for our shareholders. Our employees spread across all age brackets, represents a variety of nationalities, genders, work style, viewpoints and expectations. An analysis of our manpower can be found in our Sustainability Statement.</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 4.6

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	:	Candidates for appointment of directors may be facilitated through recommendations from the directors, management, advisors or external parties including business associates. During the financial year, there were no changes to the composition of the Board.	
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	:	<p>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.</p> <p>The NC's Charter which sets out the terms of reference and authorities of the NC is available on the Company's website.</p> <p>Its main role is to:</p> <ul style="list-style-type: none">➤ when necessary, recommend suitable candidates to the Board.➤ annually assess the performance of the non-executive directors.➤ annually assess the performance of the Board, Board Committees and contribution of the individual directors. <p>The Company Secretary assists in ensuring that all appointments are properly carried out.</p> <p>Newly appointed directors will be briefed on the Group's business and visits are made to key locations to gain a better understanding of business operations and for operational updates.</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 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 Nominating Committee (NC) conducts an annual assessment and evaluation comprising of performance, independence and peer evaluations for the directors individually, for the Board and Board Committees collectively.</p> <p>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	:		
<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 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	No formal remuneration policy and procedures have been established/made available on the Company's website.
		The Remuneration Committee is responsible for reviewing the remuneration package of the Independent Non-Executive Directors annually. The remuneration proposals take into account the roles and responsibilities of the Directors and also current market practices. The remuneration of the Executive Directors (ED) and Senior Management (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 staffs' annual performance appraisal / increment review.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company is in the process of formalising the remuneration policies and procedures.
Timeframe	:	Choose an item.

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	:	As at the date of the Annual Report, the Remuneration Committee (RC) consist of five (5) Independent Non-Executive Directors. The review of the Executive Directors', Non-Executive Director's, Independent Non-Executive Directors' remuneration packages are the responsibility of the Remuneration Committee (RC). The RC's terms of reference are found in the RC's Charter and is available for viewing on the Company's website.	
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Due to the sensitivity nature of remuneration, the Company is not in favour of disclosing on a named basis the remuneration of the directors.</p> <p>Remuneration disclosure is made based on the Director's category i.e. Executive and Non-Executive Directors with remuneration breakdown of salaries, fees, bonus, incentives & others and benefit-in-kind.</p> <p>Disclosure is also made on the Directors' remuneration in band widths of RM50,000.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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 band widths of RM50,000 but excludes the breakdown of remuneration component.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	Mr. Too Hing Yeap @ Too Heng Yip, the Senior Independent Non-Executive Director is the Chairman of the Audit Committee, whilst Mr. Ho Kim Swee @ Ho Kian Guan is the Executive Chairman of the Board.	
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>The Nominating Committee will observe a cooling off period of two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee (AC) was a key audit partner.</p> <p>The guide on appointment of former key audit partner as a member of the AC is found in the AC Charter, which is 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

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 on an annual basis, assesses the external auditors' independence and effectiveness in performing the audit.</p> <p>During the 2017's audit plan review, the external auditors have also confirmed their independence in accordance with the By-laws of the Malaysian Institute of Accountants.</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 qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profile in the Annual Report.</p> <p>All members of the Board, including members of the Audit Committee are encouraged to undertake continuous professional development by attending trainings, workshops, seminars or briefings at the Company's expense. During the financial year ended 31 December 2017, the Audit Committee members have attended one or more of the following trainings:</p> <ul style="list-style-type: none">➤ Management Discussion and Analysis Statement and Business Sustainability.➤ Companies Act 2016.➤ GST Seminar for Property Developers.➤ Have you complied with the Companies Act 2016? – Major Revamps & Regulation Updates with Guide on Practical Compliance Procedures.➤ Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers.➤ 2017 Business and Tax Seminar➤ 2018 Budget Seminar: Updates and Insights for Corporate Accountants.➤ Sustainability Engagement Series for Directors/Chief Executive Officer.➤ CG Breakfast Series with Directors: Integrating an Innovation Mindset with Effective Governance.
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 management processes are in place. The individual RSCs identify, rate and evaluate its own risks. Measures taken to mitigate those risks are also notated in the risk management reports. The identified risks are then reported to the AC for review and deliberation.</p> <p>* Effective 28 February 2018, Risk Management Committees were renamed as Risk and Sustainability Committees.</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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The current risk management and internal control framework is not based on any particular recognised international framework, rather its reporting process and structure is formulated based on the understanding of the Group's culture, needs, size and business diversity.</p> <p>As the different business units have different cultures and risk profiles, each business units through their Risk and Sustainability Committee (RSC) will identify and evaluate its own set of risks. Risk ratings are assigned to the risks identified, including the available risk control mechanisms. Management's action plans/comments are also indicated in the risk management reports which are presented to the Audit Committee for review and deliberation.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee oversees the risk management role of the Group.

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. The IAD is governed by the Internal Audit Charter.</p> <p>Annually, the Audit Committee 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. 	
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) consist of five (5) associates, of which three (3) are accounting 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 appointment, resignation and dismissal of the Head of Internal Audit is under the purview of the Audit Committee.</p> <p>None of the IAD associates have any family relationship with any director and/or major shareholder of the Company.</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 announces its quarterly results on a timely basis to its shareholders and stakeholders via the Company’s website (link to Bursa Malaysia’s website).</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>	
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	:	Applied	
Explanation on application of the practice	:	<p>The Company is guided by the Company Secretary and its Corporate Disclosure Policy on the type and timing of its announcements. Relevant information is disseminated timely and publicly made available on Bursa Malaysia’s website and is linked to the Bursa Securities via the Company’s website.</p> <p>[Since the Company does not fall under the definition of “large companies”, adopting a globally recognised integrated reporting framework is not in its current focus].</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 12.1

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>Last year's Notice of Annual General Meeting (AGM) was set on 27 April 2017 and the AGM was held on 30 May 2017. Thus, the notice of at least 28 days was adhered to.</p> <p>This year's Notice of Annual General Meeting to shareholders is dated 30 April 2018 which is at least 28 days' notice for holding the Company's AGM on 30 May 2018.</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	:	All directors are present during the Annual General Meeting to provide responses to questions raised.	
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	:	Applied	
Explanation on application of the practice	:	<p>The Company's Annual General Meetings (AGM) are held at an easily accessible venue and not in remote locations.</p> <p>Shareholders that are unable to attend the AGM, may appoint their proxies to attend and vote on their behalf.</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	:		

**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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