

CORPORATE GOVERNANCE REPORT

STOCK CODE : Perisai
COMPANY NAME : PERISAI PETROLEUM TEKNOLOGI BHD
FINANCIAL YEAR : 30 June 2018

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 to set the strategic directions and oversee the overall corporate strategies, key policies, management and financial matters of the Company. The Board also ensures the Company and its businesses are managed in compliance with relevant regulatory requirements, standards, policies and guidelines applicable to the Company.</p> <p>The Board delegates the implementation of its strategies to the Company's Management. However, the Board remains ultimately responsible for corporate governance and the affairs of the Company, and to ensure resources are in place for the Company to meet its objectives as well as strategies are aligned to the interests of shareholders and other stakeholders.</p> <p>The Board meets at least four (4) times a year, at quarterly intervals, to review the performance, strategies and operations of the Company, with additional meetings to be convened as and when necessary. For financial year ended 2018, ten (10) Board meetings were held.</p> <p>The roles and responsibilities of the Board and matters reserved for the Board are clearly defined in the Board Charter.</p> <p>While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide it with recommendations and advices:</p> <ul style="list-style-type: none">• Nomination Committee;• Remuneration Committee; and• Audit Committee

	<p>The Board Committees' roles and responsibilities in discharging its functions are set out in the Terms of Reference of each Committee.</p> <p>The Board provides leadership within a framework of prudent and effective controls which enable risk to be appropriately assessed and managed. The Board sets the Company's values and standards and believes that effective corporate governance is based on honesty, integrity and transparency.</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 1.2

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 Chairman is responsible for instilling, good corporate governance practices, leadership and effectiveness of the Board.</p> <p>Perisai's Board of Directors is led by Dato' Anwarrudin Bin Ahamad Osman, who is the Independent Non-Executive Chairman.</p> <p>Dato' Anwarrudin Bin Ahamad Osman provides strong leadership and is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. He actively seeks the opinion of the Board members during the Board Meetings.</p> <p>The detailed roles and responsibilities of the Chairman are encapsulated in the Board Charter available on the Company's website at www.perisai.biz</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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The roles of the Chairman and the Managing Director are distinct and separate to engender accountability and facilitate clear division of responsibilities for ensuring there is a balance of power and authority in the Company. The Chairman, Dato' Anwarrudin Bin Ahamad Osman provides strong leadership to the Board in its cohesive oversight of management whilst the Managing Director, Datuk Zainol Izzet Bin Mohamed Ishak is responsible for the running of the Company's operations and implementation of Board's policies and decisions. This is clearly articulated in the Board Charter.	
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 Company Secretaries, Ms Tai Yit Chan and Ms Tan Ai Ning, both from Boardroom Corporate Services (KL) Sdn Bhd who have been appointed by the Board and each has more than 20 years of experience as Company Secretaries and are qualified under The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are professionally qualified, experienced and knowledgeable on new or revised regulatory requirements as well as corporate governance best practice. In this respect, the Company Secretaries play an advisory role to the Board, particularly with regard to the Company's Constitution, Board policies and procedures, and its compliance with regulatory requirements, and advocate adoption of corporate governance best practices.</p> <p>The Company Secretaries constantly keep themselves abreast of changes in the realm of corporate governance through continuous professional development</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>Directors were furnished with agenda of meetings together with the Board or Board Committees' papers and reports with reasonable due notice prior to the Board and Board Committees meetings. Exceptions may be made for certain ad hoc or urgent instances when Directors unanimously consent to short notice.</p> <p>The Board or Board Committees papers are prepared by the Management to provide accurate and quality information or updates on financial, operational and legal related matters that enable informed decision making to be performed smoothly at the meeting.</p> <p>The deliberations and conclusions of all pertinent issues discussed in the meetings are duly recorded by the Company Secretaries in the minutes of meetings. The meeting minutes that record the decisions, including key deliberations, rationale for each decision made and any concerns or dissenting issues, were circulated to the Directors within a reasonable timeframe after the meeting.</p> <p>Besides direct access to the Management, , the Directors, either as a group or individually, may upon obtaining prior Board's approval seek independent advice, where necessary, at the Company's expenses on any matters in relation to the discharge of their duties.</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

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 has adopted a Board Charter which clearly sets out the roles, functions, composition and operation of the Board, having regard to the principles of good corporate governance and requirements of Main Market Listing Requirements of Bursa Securities.</p> <p>The Board Charter further defines matters that are reserved for the Board and its committees as well as the roles and responsibilities of the Chairman and the Managing Director. Key matters reserved for the Board amongst others include conflict of interests issues, material acquisitions and disposals of assets, capital expenditure and investments, strategic business plans and annual budget, quarterly and annual financial statements for announcements, succession planning for key management, limits of authority and etc.</p> <p>The Board Charter and Terms of References of Board Committees were recently been revised and approved in 2018 and will be periodically reviewed and updated in accordance with the needs of the Company and any new/revised regulations that may have an impact on the discharge of the Board's Directors. The Board Charter is available on our Company's website at www.perisai.biz.</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 3.1

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	:	All of the Group's relationships are underpinned by high ethical standards, as expressed in Perisai's Code of Conduct and Ethics ("COCE"), which set acceptable practices and guide the behaviour of directors, management and employees. The COCE has been revised and approved in 2018 and can be found on the Company's website at www.perisai.biz .	
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	:	The Whistleblowing Policy sets out the procedures with the objective that all employees of the Group and other interested parties an avenue where genuine concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices can be objectively investigated and addressed. The Whistleblowing Policy has been revised and approved in 2018 and the details on the procedures can be found on our website at www.perisai.biz .
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	:	Departure
Explanation on application of the practice	:	.
Explanation for departure	:	The Board comprises of five (5) Directors, consists of a Chairman (Independent Non-Executive), one (1) Independent Non-Executive Director, two (2) Non-Independent Non-Executive Directors and one (1) Managing Director. The Board's composition complies with the MMLR of Bursa Securities which requires a minimum of 2 Directors or 1/3 of the Board, whichever is higher to be Independent Directors.
	:	The Board is of the view that the current Board composition suffice. Currently, as the Independent Directors are very objective in Board's deliberations and discussions and understand the industry. Furthermore, the Company is currently undergoing a regularisation plan. The Board will look into the appointment of additional independent director(s) upon completion of the regularisation plan.
<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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	None of the Independent Non-Executive Directors of the Company have exceeded the cumulative terms of nine years.	
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 4.3 - 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>In recommending the appointment of Directors and Senior Management, the NC considers salient attributes such as mix of skills and experience, strengths, expected contribution, independence (where applicable) and the multiple facets of diversity to ensure a balanced mix of talents on the Board and Senior Management level.</p> <p>The Board, alongside the NC, undertakes periodic reviews of the composition of the Board and Senior Management to ensure that they remain diverse.</p> <p>The current composition of the Board includes a diverse mix of skill sets, knowledge and experience (eg. architecture, project management, engineering, finance, accounting, human resource, marketing and management) and age (range between 57-75 years old).</p> <p>The appointment of Senior Management personnel is also based on pre-determined criteria that includes skill sets and leadership qualities, driven by their respective job descriptions.</p> <p>The Board has reviewed and approved the Diversity Policy in 2018 and is available on the Company's website at www.perisai.biz</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 4.5

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>The Board acknowledges the importance of gender diversity. Previously, the Board has one female Independent Non-Executive Director, i.e. Y.A.M. Tunku Soraya Binti Almarhum Sultan Abdul Halim Mu'adzam Shah Raja Puan Muda Perak Darul Ridzuan representing 16.67 percent of the total Board members. Y.A.M Tunku Soraya had resigned on 5 April 2018.</p> <p>The Board also values the diversity of perspectives and experience at Senior Management level.</p> <p>The Nomination Committee will take steps to include, where appropriate, women candidates as part of the Board's recruitment exercise.</p> <p>The Board via the Nomination Committee has reviewed and approved the Diversity Policy in 2018 and is available on the Company's website at www.perisai.biz.</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Currently, the Board rely on recommendations from the Nomination Committee and existing Board members, management or major shareholders.
		The Nomination Committee is currently responsible for making recommendations to the Board on the most appropriate Board size and composition. The Nomination Committee will determine certain criteria used in the recruitment process based on annual assessment of Directors. Candidates are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of the MMLR by Bursa Securities. This has enable the Company to source for high calibre Directors with a sound understanding of the business imperative based on recent changes to the Board as disclosed in the Corporate Governance Overview Statement. The Board may utilise variety of independent sources to identify suitably qualified candidates, if necessary.
<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 Nomination Committee is chaired by Dato' Yogesvaran A/L T. Arianayagam, an Independent Non-Executive Director.	
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 Board has adopted a formal and objective annual evaluation of the Board, Board Committees and Directors' performance. The assessment took into account the contribution and performance of the Directors in relation to their competencies, time commitment, experience in meeting the needs of the Company.</p> <p>The evaluation process was based on a self-review and peer assessment whereby the Directors assessed themselves and also the Board as a whole as well as the performance of the Board Committees. The criteria and outcome of the assessment were properly documented.</p> <p>Based on the recent assessment, the Nomination Committee was satisfied that the Board size and its composition are optimum as the Board comprises individuals with the requisite skills, knowledge, experience, characteristics and competencies to effectively discharge their roles. The Directors, Board Committees and key officers had also discharged their responsibilities in a commendable manner and contributed to the overall effectiveness of the Board and Company. The Directors had also committed the time necessary to responsibly fulfil their commitment to the Company during the year.</p> <p>The Board engages the Company Secretaries who are from an independent external secretarial firm to facilitate the Board evaluation via evaluation forms and informal discussion with the Nomination Committee and Directors.</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	:		
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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 formally adopted a Directors and Senior Management's Remuneration Policy in 2018 to determine the remuneration of Directors and Senior Management.</p> <p>The remuneration of Non-Executive Directors is structured to link with their contribution to the Company which commensurate with their level of responsibilities.</p> <p>The Remuneration Committee also evaluates the Group Managing Director's remuneration package based on his performance and ability to meet the Key Performance Indicators. The remuneration for Senior Management is based on performance, experience, expertise, skills and industry benchmarks and Company's affordability.</p> <p>The Directors and Senior Management's Remuneration Policy can be found on the Company's website at www.perisai.biz.</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 6.2

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 Board has established a Remuneration Committee to implement its policies and procedures on remuneration of Directors and/or Senior Management. The Remuneration Committee comprises a majority of Independent Directors and is chaired by Mr Chan Feoi Chun, a Non-Independent Non-Executive Director.</p> <p>The Remuneration Committee reviews and recommends the remuneration of the Managing Director and Executive Directors of the Company for the Board's approval pursuant to the Terms of Reference of Remuneration Committee. The Directors' fees and benefits payable to Directors have also been reviewed and recommended by the Remuneration Committee to the Board to seek shareholders' approval at the Company's forthcoming AGM pursuant to the Constitution of the Company. No Director is involved in deciding his own remuneration.</p> <p>The Terms of Reference of the Remuneration Committee has been revised in 2018 and can be found on the Company's website at www.perisai.biz.</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	:	The Board ensure that information relating to Directors' remuneration is made transparent to all shareholders. The details of Directors' remuneration on named basis in the Company and the Group are disclosed in the Corporate Governance Overview Statement on page 50 to page 51 of the Annual Report.	
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	:	Applied	
Explanation on application of the practice	:	The Senior Management only consists of the Managing Director. The remuneration of the Managing Director who is also the Senior Management was disclosed on named basis in the Annual Report.	
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 7.3 - 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>The Chairman of the Board is Dato' Anwarrudin Bin Ahamad Osman whilst the Chairman of the Audit Committee (AC) is Dato' Yogesvaran A/L T. Arianayagam, a Senior Independent Non-Executive Director.</p> <p>Dato' Yogesvaran A/L T. Arianayagam is a Fellow of the Chartered Institute of Management Accountants, UK, Member of the Malaysian Institute of Accountants (MIA) and Member of the Chartered Global Management Accountants, USA (CGMA).</p> <p>The AC comprises three members, two (2) are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. With the position of the Board Chairman and AC Chairman held by different individuals, the Board is able to objectively review the AC's findings and recommendations.</p> <p>The composition of the AC, including its roles and responsibilities, number of meetings and attendance of AC and summary of AC's activities during the financial year under review are set out on page 64 to page 66 under the Audit Committee Report of the 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

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	:	The Company adopted the External Auditors' Assessment Policy which states amongst others, that a former key audit partner is required to observe a cooling-off period of at least two years before being appointed as a member of the AC.	
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 AC is responsible for assessing the suitability, objectivity and independence of the External Auditors and to make recommendations to the Board on the appointment. Under the Terms of Reference, it includes review process which covers the assessment of the independent of the external auditors.</p> <p>The AC reviewed and monitored the fee of the total non-audit works carried out by the auditor to ensure there was no impairment of independence and objectivity.</p> <p>The AC has further obtained written confirmation from its external auditors, Messrs Baker Tilly Monteiro Heng on its independence.</p> <p>The AC has formally adopted the External Auditors Assessment Policy which was approved by the Board in 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

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 :	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 8.5

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 AC assists the Board to review the integrity of the Company's financial statements. The AC further reviews the adequacy and effectiveness of the system of internal controls as well as risk management framework of the Company.</p> <p>All the AC members have the relevant financial knowledge and commercial expertise skills required to discharge their roles and responsibilities effectively. The composition of AC is set out in Audit Committee Report in page 64 while the members' profiles are disclosed in the Directors' Profiles from page 8 to page 12 of the Annual Report.</p> <p>The AC ensures that the financial reports of the Company comply with applicable financial reporting standards in Malaysia.</p> <p>The members of the AC keep themselves abreast by attending trainings as set out in Corporate Governance Overview Statement in page 48 of the Annual Report.</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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises its responsibilities over the Company's internal control and risk management framework.</p> <p>The Board has an established on-going process for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its AC regularly reviews this process to ensure the internal control and risk management frameworks are adequate and effective.</p> <p>The AC meets regularly to review the risks identified and discuss on mitigating actions lack in place and report to AC quarterly.</p> <p>The Board is guided by the International Professional Practices Framework Issued by Institute of Internal Auditors (Global) for the setting of objectives, risk identification, assessment , prioritization , mitigation and monitoring.</p> <p>Details on internal control and risk management framework are set out in the Statement on Risk Management and Internal Control in the Annual Report.</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	:	The Board is responsible for managing the key business risks of the Group and implementing appropriate internal control system to manage those risks. The Board also reviewed the adequacy and effectiveness of the system of internal controls framework and risk management framework. These together with the features of its risk management framework and internal control framework are disclosed in the Statement of Risk Management and Internal Control which is reviewed by the Board and the External Auditors.	
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	:	Internal audit function is carried out by an outsourced Internal Audit firm namely Messrs HL Hong & Co. ("IA") and reports directly to the AC Chairman. The IA has access to all relevant records, personnel and properties within the Company to carry out its duties. The AC, assisted by the IA, provides the Board with assurance on the adequacy and effectiveness of risk governance and internal controls. IA independently reviewed the risk identification procedures and control processes implemented by the Management, conducts audits that encompass review of critical areas being identified, and reports to AC on quarterly basis.
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 function is outsourced to an external professional services firm, H L Hong & Co ("Outsourced Internal Auditor") to ensure there is no relationship or conflict of interest with the Company which could impair their objectivity and independence.</p> <p>The Outsourced Internal Auditor is led by its Principal, Mr Hong Hee Leong who is a fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"), a member of the Malaysian Institute of Accountants ("MIA"), fellow member of the Chartered Tax Institute of Malaysia ("CTIM") and a chartered member of the Institute of Internal Auditors Malaysia ("IIAM"). He has at least 23 years of professional experience in advisory, accounting and audit services in the role of a principal - advisor for a large number of clients based in Malaysia and internationally. He is also involved in tax planning and consultancy, system reviews, investigation audits, due diligence reviews and feasibility studies. Mr Hong was previously the Audit Committee Chairman of the Board of MK Land Holdings Berhad.</p> <p>Mr Hong is assisted by Ms Lau Mun who is a fellow of the Association of Chartered Certified Accountants ("ACCA"). She has worked in Ernst & Young to gain external and internal audit experiences and was also previously with KPMG Risk Advisory specialising in assisting public listed companies to establish their enterprise risk management framework and developing as well as implementation of risk based internal audit plan with recommendations for improvement.</p> <p>The work of the Outsourced Internal Auditor is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.</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>It has always been the Company's practice to maintain good relationship with its shareholders. Major corporate developments and happenings in the Company have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.</p> <p>During the meeting, shareholders have the opportunities to enquire and comment on the Company's performance and operations.</p> <p>The Board has formally adopted the Corporate Disclosure Policy and Procedures which was approved by the Board in 2018.</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

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	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Notice of the 14th Annual General Meeting (“AGM”) held on 23 November 2017 was circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. This is in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR Requirements by Bursa Securities, which call for a 21 days’ notice period for public companies or listed issuers respectively.
		In addition to dispatching the notice individually to shareholders, the Notice of AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the Notice of AGM and make the necessary preparations for the AGM.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will despatch Notice of 2018 AGM at least twenty eight (28) days prior to the upcoming 15th AGM.
Timeframe	:	Within 1 year

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 including the Chairman of all the respective Board Committees attended the last AGM. At the last AGM, the Company’s advisors, Chairman, Managing Director and Management responded to all the questions posted by the Shareholders.</p> <p>Shareholders were invited to ask questions both on the resolutions being proposed before putting them to vote as well as matters relating to the Company’s operations in general and meaningful response were given to the questions raised.</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>At the 14th AGM held on 23 November 2017, the Company implemented an electronic voting system which encouraged and facilitated greater shareholders participation. During the AGM, the shareholders, upon the instruction being given by the Chairman, queued and casted their votes via an electronic device. Each shareholder/proxy holder was issued a wristband printed with passcode upon registration. This passcode was then been scanned during the voting process. The passcode allowed the shareholders/proxy holders to access the e-Vote system and casted their votes. Once the process completed, the scrutineer verified the results and passed to the Chairman of the meeting for announcement. All the resolutions set out in the Notice of the AGM were put to vote by poll and duly passed. The outcome of the AGM was announced to Bursa Securities on the same meeting day.</p> <p>Shareholders who were unable to attend the AGM were allowed to appoint proxies to attend, participate, speak and vote at the AGM in his stead.</p> <p>In line with the intended outcome of this practice, the Company continues to observe the development of the respective technology that facilitate voting in absentia and remote shareholders' participation. The Company will recommend to the Board for such technology adoption provided needs arise and fit for the Company's capacity. To encourage the shareholders' attendance, the AGM is always held at an easily accessible location in the Klang Valley.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:	The Board will observe the development of new technology and consider the new technology adoption; subject to cost and benefit analysis.	
Timeframe	:	Others	

**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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