

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5129
COMPANY NAME : MELATI EHSAN HOLDINGS BERHAD
FINANCIAL YEAR : August 31, 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 PERSUANT 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 of Directors ("Board") of Melati Ehsan Holdings Berhad ("MEHB" or the "Company") is responsible for overall corporate governance, strategic direction, formulation of policies, oversight of management performance, risk management, succession planning, investor relation and corporate reporting of the Group.</p> <p>The Board has established clear functions reserved for the Board and those delegated to the Board Committees and Management. The delineation of board's roles and responsibilities are also clearly set out in the Board Charter which serves as a reference point for Board activities and reinforces the oversight role of the Board.</p> <p>Other responsibilities carried out by the Board in ensuring the Company meeting its objectives and goals include:</p> <ul style="list-style-type: none">• Performing periodic review of the financial results and progress of projects as a mean to overseeing the conduct of the business and the overall performance management of the business affairs of the Group;• Deliberating the interim and annual financial reporting with management and External Auditors to ensure the integrity and reliability of the financial information published;• Reviewing related party transaction, if any to ensure compliance and the interest of minority shareholders are not detrimental by related party transactions;• Reviewing, deliberating and approving Board Committees' reports and recommendation; and

	<ul style="list-style-type: none"> In consultation with the Company Secretaries, External and Internal Auditors, observing the regulatory requirements when disseminating information and disclosures in consultation. 	
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>Presently, the Board Chairman is an Executive Chairman. The executive role of the Chairman enables the Executive Chairman to align the interest of the board, management and shareholders for maximising shareholders' wealth. Nonetheless, the Executive Chairman's influence on the Board are balanced by the presence of Independent Non-Executive Directors on the Board and the Senior Independent Director who acts as a point of contact for any concerns deemed inappropriate to be communicated through the normal channels.</p> <p>Details of the responsibilities of the Chairman are set out in the Board Charter of the Company. In summary, the Chairman plays an instrumental role in providing leadership to the Board for all aspects of the Board's roles and responsibilities, ensuring that operations conform to the Board's strategic directions, Company's vision and corporate policies, as well as facilitating the communication and understanding between the Management and the Board.</p> <p>The Chairman presides over board meetings and instils good governance practices by ensuring that all directors' views are heard, sufficient time for discussion of each agenda, and fair opportunity is provided to all directors to participate actively and constructively during the meetings and discussions.</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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Presently, the roles and responsibilities of the Chief Executive Officer is carried out and shared by the Executive Chairman and Executive Directors covering the overall of Group's management, business operations, corporate services, finance and accounting, human resources and information technology functions.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board and Board Committees are assisted by two (2) qualified and competent Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries support the Board in carrying out their fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. The Company Secretaries also served as an advisory role to the Board, particularly with regards to the Company's Constitution, Board's policies and procedures and various compliances with regulatory requirements, codes, guidelines, legislations and the principles of corporate governance practices.</p> <p>All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries of the Board can only be made by the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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>All Directors are provided with an agenda and a set of Board papers containing information relevant to the business of the meeting, including information on financial, operational and corporate matters prior to the Board meetings. Members of the Committee are also provided with meeting agenda and relevant papers to enable full deliberation on the issues to be considered at the respective meetings.</p> <p>Board meeting papers are, to the extent feasible, provided/made available at least 7 days prior to each meeting to all members of the Board so that they have sufficient time to read and understand the information and obtain further information, clarification or explanation, if needed.</p> <p>The Company Secretaries will attend all Board, Board Committee and general meetings, and ensure that accurate and proper records of the proceedings and resolutions passed are recorded and the minutes are circulated to the Board members as soon as possible before the next meetings. Such minutes of meetings are confirmed by the respective Board Committees and signed by the Chairmen of the respective meetings.</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 serves as a source of reference to the Board for matters relating to the Board's organisation. It also provides guidance to the Board members in the performance of their duties, roles and responsibilities as Directors.</p> <p>The Board reviews and updates the Board Charter from time to time in order to ensure it remains consistent with the Board's objectives, current law and practices.</p> <p>The Board Charter sets out the functions, duties and responsibilities, composition and structure of the Board, amongst others:-</p> <ul style="list-style-type: none">▪ Composition and Board Balance;▪ Duties and Responsibilities of Board Members;▪ Board Procedures;▪ Appointment of Secretary;▪ Investor Relations and Shareholder Communication;▪ Relationship with Other Stakeholders;▪ Access to Information and Independent Advice;▪ Code of Ethics and Conduct; and▪ Review of the Board Charter. <p>The Board Charter is available on Company's corporate website at www.melatiehsan.com.my</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	:	<p>The Board has formalised ethical standard in its Code of Ethics and Conduct. The Code of Ethics and Conduct is published on the Company's corporate website at www.melatiehsan.com.my and has clearly stated the values and principles, which are of fundamental importance for its businesses.</p> <p>The Code of Ethics and Conduct are regularly reviewed by the Board as and when required to ensure that it remains relevant and appropriate.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has formalised a Whistleblowing Policy to maintain and achieve a high standard of corporate governance, business integrity and its code of conduct. The objectives of the policy are as follows:-</p> <ul style="list-style-type: none">▪ Establishes the rules, procedures and avenue for employees and stakeholders to report/raise/whistle-blow a genuine concern or allegation through the appropriate channel upon discovery of possible misconduct; and▪ Provides protection to an individual who has raised or reported the concern or allegation. <p>The Whistleblowing Policy is regularly reviewed by the Board as and when required to ensure that it remains relevant and appropriate.</p> <p>The details of Whistleblowing Policy is made available on the Company's corporate website at www.melatiehsan.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	The Board currently comprises three (3) Independent Non-Executive Directors which are slightly below the majority number required for seven (7) Board members suggested by MCCG. Nonetheless, the present number of independent directors in the Board exceeds Bursa Securities' requirement of higher of two (2) directors or one-third (1/3) of the board of directors shall be independent directors.	
<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	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>In accordance to Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years from the date of first appointment as Director. In the event the Board wishes to retain the independence status of an Independent Director who has served for more than nine (9) years, Board justification and shareholders' approval are required. Two tier voting process will be applied in the Annual General Meeting ("AGM") for retaining any Independent Director serving beyond twelve (12) years.</p> <p>As at the date of this statement, all Independent Directors of the Board have been serving for more than nine (9) years but less than twelve (12) years. Similar with the previous year, subject to shareholders' approval at the forthcoming AGM, the Board wishes to retain all Independent Directors to serve as Independent Directors of the Company. The justification of the Board are as follows:</p> <ol style="list-style-type: none">i. The Independent Directors have fulfilled the criteria stated under the definition of Independent Director as defined in the Main Market Listing Requirements ("MMLR");ii. Their length of service on the Board does not affect their objective judgement and ability to act in the best interest of the Company and the Group. By contrast, the Board benefited from their years of service, who possess detailed knowledge of the Group's business and with proven commitment, experience and competencies; andiii. All Independent Directors have discharged their duties with reasonable care, brought independent judgement into Board's decision making as well as provided proper check and balance to the Board for the best interest of the Company and its shareholders.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - 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 current Board consists of Directors from diverse background and specialisation with wide range of experience and expertise in accounting and finance, engineering, public service, business management and development.</p> <p>The Nomination Committee (“NC”) has the responsibility to ensure that the Board comprises suitably qualified members that demonstrate appropriate qualities and experience contributing to effective oversight and stewardship.</p> <p>The appointment of key senior management was also made with due regard for diversity in skills, experience, age, cultural background and gender.</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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board recognises the importance of gender diversity in the Board. Going forward, other than skill sets, knowledge and experience, the Board will take into account of diversity when selecting new directors in the future.	
<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	:	<p>The NC is responsible for identifying and recommending suitable candidates for directorships to the Board. The NC leverages on several sources and gain access to a wide pool of potential candidates. The responsibilities of the NC are outlined in its Terms of Reference.</p> <p>In evaluating potential candidates, the NC will access directorship suitability based on objective criteria, including:</p> <ul style="list-style-type: none">• Qualifications;• Required competencies, skills, expertise and experience;• Specialist knowledge or technical skills;• Professionalism and Integrity; and• Commitment to the Company. <p>The final decision on the appointment of a candidate recommended by the NC rests with the Board.</p> <p>The NC may also receive suggestions from existing Board members, Management, and major shareholders. The NC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>There was no new appointment of Directors for the financial year ended 31 August 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

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 NC is chaired by Dato' Mohd Zain Bin Yahya, 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 established formal assessment processes for evaluation of its performance and the performance of its committee and individual directors. These assessment processes comprise Board Assessment, Board Skills Matrix, Individual Directors Assessment, Board Committee Self and Peer Assessment, and Assessment of Independence of Independent Directors and was administered by NC.</p> <p>Questionnaires of the appraisal forms are sent out to the Board members by the Company Secretaries. Each individual Director undertook a peer assessment of their individual performance during the financial year ended 31 August 2018 based on their attributes, personality and quality. The completed forms are then summarised and reviewed by the NC prior to submitting them to the Board for deliberation and identification of areas for improvement.</p> <p>The assessment are also being used as one of the basis of the NC's recommendation to the Board for the re-election of Directors at the forthcoming Annual General Meeting.</p> <p>Based on the results of the assessment for the financial year ended 31 August 2018, it was concluded that the composition of the Board and its Committees corresponding to its oversight duties and the developments of the Company. Overall, the Board was satisfied with the performance of individual Director, Board and Board Committees for the financial year under review, including the character, experience, integrity, competencies and time commitment to effectively discharge their roles as Director of the Company.</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	:	<p>The Remuneration Committee ("RC") is authorised by the Board to establish a formal and transparent policies and procedures to determine the remuneration of Director and senior Management.</p> <p>The determination of directors' remuneration is subject to Board's approval. The director concerned should abstain from discussing his/her own remuneration.</p> <p>Remunerations of Executive Directors and senior management is made by reference to the Company's performance and profitability, the prevailing market conditions and performance of each individual whereas the remuneration for Non-Executive Directors is based on their contribution and level of responsibilities.</p> <p>Management is looking into improving the remuneration policies and procedures in a more formal and written forms and will recommend the policies to Board and RC for further deliberation.</p> <p>During the year, the RC held a meeting to review the remuneration packages of the Directors by reference to the Company's financial performance and individual's performance, and discussed remuneration related matters prior to recommending the same to the Board for approval. Also, the RC has proposed quantum of Directors' fees to the Board prior its recommended to the shareholders for approval.</p>
<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	:	The RC is primarily responsible for reviewing and recommending the remuneration for the board members. All directors' remunerations are determined by the Board as a whole. The RC discharged its responsibilities by carrying out its duties as set out in Terms of Reference, which is available on the Company's corporate website at www.melatiehsan.com.my .
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 details of the Directors' annual remuneration received and receivable from the Company and the Subsidiary Companies are as follows:							
	Received from the Company	Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, SOCSO & EIS (RM)	Benefit-in-Kind (RM)	Total (RM)	
	Executive Directors							
	1.	Tan Sri Dato' Yap Suan Chee	50,000	-	-	-	50,000	
	2.	Radzulai Bin Yahaya	20,000	-	-	-	20,000	
	3.	Lim Tong Hee	20,000	-	-	-	20,000	
	4.	Ir. Leong Chee Kian	20,000	-	-	-	20,000	
	Non-Executive Directors							
	5.	Dato' Mohd Zain Bin Yahya	36,000	7,000	-	-	43,000	
	6.	Datuk Alias Bin Ali	36,000	7,000	-	-	43,000	
	7.	Dato' Prof Dr. Sudin Bin Haron	36,000	7,000	-	-	43,000	
	Total:		218,000	21,000	-	-	239,000	
	Received from the Subsidiaries Companies	Fees (RM)	Salaries & other emoluments (RM)	Bonuses (RM)	EPF, SOCSO & EIS (RM)	Benefit-in-Kind (RM)	Total (RM)	
	Executive Directors							
	1.	Tan Sri Dato' Yap Suan Chee	-	480,000	600,000	65,986	15,967	1,161,953
	2.	Radzulai Bin Yahaya	-	72,000	6,000	10,236	-	88,236
	3.	Lim Tong Hee	-	305,669	44,000	39,772	-	389,441
	4.	Ir. Leong Chee Kian	-	316,000	50,000	44,812	-	410,812
	Non-Executive Directors							
	5.	Dato' Mohd Zain Bin Yahya	-	-	-	-	-	-

6.	Datuk Alias Bin Ali	-	-	-	-	-	-
7.	Dato' Prof Dr. Sudin Bin Haron	-	-	-	-	-	-
Total:		-	1,173,669	700,000	160,806	15,967	2,050,442
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	:	All Executive Directors are also the Senior Management. Their annual income falls within the bands of RM50,000 is set out as follows: <table border="1" data-bbox="555 763 1347 1055"><thead><tr><th>Remuneration Bands</th><th>Executive Directors</th></tr></thead><tbody><tr><td>RM100,001 – RM150,000</td><td>1</td></tr><tr><td>RM400,001 – RM450,000</td><td>2</td></tr><tr><td>RM1,200,001 – RM1,250,000</td><td>1</td></tr></tbody></table>	Remuneration Bands	Executive Directors	RM100,001 – RM150,000	1	RM400,001 – RM450,000	2	RM1,200,001 – RM1,250,000	1
Remuneration Bands	Executive Directors									
RM100,001 – RM150,000	1									
RM400,001 – RM450,000	2									
RM1,200,001 – RM1,250,000	1									
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	:	The Audit Committee ("AC") is chaired by an Independent Non-Executive Director, Dato' Mohd Zain Bin Yahya, who is not the 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 AC adopts the best practice of requiring a cooling-off period of at least two years before appointing a former key audit partner as a member of the AC. Nevertheless, this instance has not arisen to date.</p> <p>The said practice has been incorporated into the Terms of Reference of the AC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AC reviews the independence, performance and remuneration of the External Auditors on annual basis.</p> <p>The AC was satisfied with the performance and independence of the external auditors as well as the quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work.</p> <p>Messrs BDO had also provided written confirmation to the AC that they had been independent throughout the audit engagement in respect of the financial under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the AC, approved the recommendation for the reappointment of Messrs BDO as external auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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 AC has three (3) members, all of whom are Independent Non-Executive Directors ("INEDs"). The INEDs of the Company satisfied the independence criteria under the Main Market Listing Requirements.

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 are financially literate and are able to understand matters under the purview of the AC including the financial reporting process. The qualification and experience of the AC members are disclosed in the Profile of Directors in the Annual Report 2018.</p> <p>All members of AC undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules during the financial year ended 31 August 2018.</p> <p>The AC will on continuing basis evaluate and determine the training needs of each member of the AC, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management in order to enable the members of the AC to effectively discharge their duties.</p> <p>In addition to the above, members of the AC would be updated on recent developments in the areas of statutory and regulatory requirements by the External Auditors, Internal Auditors and Company Secretaries during the Committee Meetings.</p> <p>The details of the training attended by the members of the AC for the financial year ended 31 August 2018 are disclosed in the Annual Report 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

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 acknowledges that risk management and systems of internal control are integral parts of corporate governance. The Board is responsible for maintaining adequate and effective risk management and system of internal control and establishing on-going process for identifying, evaluating and managing its principal risks.</p> <p>The Board understands the principal risks of the business that the Group is engaged in and accepts the importance of balancing of risk and return in order to reward the shareholder.</p> <p>Presently, the risk management function is driven by the Executive and Risk Management Committee ("ERMC"). The responsibilities of ERMC are to define and formulate strategies, policies and practices to manage the business and risks of the Group.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2018 provides an overview of the internal control within the Group for the financial year under review.</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 key features of the Company's risk management and internal control framework, which covers their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control on page 30 to page 31 of the Annual Report 2018.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is outsourced to an independent professional firm, Messrs IA Essential Sdn. Bhd., to assist the AC in discharging its duties and responsibilities in respect of reviewing and assessing the adequacy and effectiveness of the Group's internal control systems. The Internal Auditors reports directly to the AC, which in turn report to the Board.</p> <p>In performing its duties, the Internal Auditors has free and unfettered access to information and to meet with any of the department heads or persons-in-charge. The identified audit issues are followed up by the Internal Auditors and the status is reported to the AC.</p> <p>During the financial year under review, the Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control.</p> <p>The results of these reviews have been presented to the AC at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.</p> <p>The Internal Auditors communicate regularly and report directly to the AC on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group.</p> <p>A private session with the Internal Auditors will be held without the presence of management by the AC, if needed to allow the Internal Auditors to exchange their views freely with the AC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Company outsourced the internal audit function to Messrs IA Essential Sdn. Bhd. and headed by a Director who is assisted by a manager and supported by an audit executive. The Director in charge is a qualified accountant while the rest of the team members are accounting graduates from local universities.</p> <p>The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.</p> <p>The information on internal audit functions are disclosed in the Annual Report 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 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 recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on all material matters affecting the Company and Groups.</p> <p>The Company has a number of formal channels in place to effectively communicate with the shareholders and stakeholders:</p> <ul style="list-style-type: none">i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements;ii. various announcements made to the Bursa Securities, which include announcements on quarterly results;iii. the Company website at www.melatiehsan.com.my; andiv. meetings with research analysts and fund managers if required to provide them with insight of business in Group and the industry. Shareholders interaction during the general meetings.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company is not a "Large Company" under the definition of MCCG 2017.</p> <p>Currently, the information disclosed in the annual report is in line with current regulatory and statutory guidelines and the principles which underline integrated reporting that include the Company's corporate governance, performance and prospects. The Company has also reported its Sustainability Statement on pages of this Annual Report and provided the actions which the Board will take to formalise the Group's sustainability framework.</p> <p>The Group continuously enhances its annual report, in order to improve its communication with its stakeholders with respect to the business of the company, its policies on governance, the environment and social responsibility.</p>
<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>The annual report, which contains the Notice of Annual General Meeting, was sent to the shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the Annual General Meeting.</p> <p>The Notice of Annual General Meeting, which sets out the businesses to be transacted at the Annual General Meeting, was also published in a major local newspaper.</p> <p>The notes to the Notice of Annual General Meeting also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>At the Thirteenth Annual General Meeting held on 27 February 2018, all the Directors, members of the senior Management and external auditors of the Company were present in the AGM. Shareholders' questions were answered and responded to.</p> <p>All board members and the Chairs of the Board Committee will continue to attend the Annual General Meeting and respond to the shareholders' queries, if any that addressed to them.</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	:	<p>The Company's general meetings are held in the city area accessible via public transport.</p> <p>As an alternative to the recommended practice, shareholders who are unable to attend general meetings are allowed to appoint their respective proxies to participate, speak and vote on their behalf at all general meetings the Company.</p> <p>Moving forward, the Company will consider leveraging on technology to facilitate greater shareholders' participation in general meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	