

The Board meets quarterly to review and deliberate all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be called when and if necessary. The relevant reports and Board Papers are distributed to all Directors in advance of the Board Meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during the meetings. Minutes of the meeting are circulated to the Board and the Management for review and comments in a timely manner before the minutes of the last Board meeting are confirmed at the next Board meeting.

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7022
COMPANY NAME : PLB ENGINEERING 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.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Board is responsible for the overall corporate governance, strategic direction, performance, resources, standards of conduct, financial matters, corporate goals and also monitors the achievement of these goals. Effective leadership and overall control of the affairs of PLB Engineering Berhad ("PLB / the Company") and/its subsidiaries'("the Group") are executed through the discharge of the following principal duties and responsibilities:-</p> <ul style="list-style-type: none"> (a) Reviewing and adopting a strategic plan for the Group; (b) Overseeing the conduct of the Group's business; (c) Identifying principal risks and implementation of appropriate internal control and mitigation measures; (d) Succession Planning; (e) Overseeing the development and implementation of a shareholders' communications policy for the Company; (f) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems; (g) Establishment of management committees in reviewing the business performance; and (h) The Board has delegated specific responsibilities to the following committees ("Committees"):- <ul style="list-style-type: none"> • Audit Committee ("AC") • Nominating Committee ("NC") • Remuneration Committee ("RC") • Risk Management Committee ("RMC") <p>The roles and responsibilities delegated to the Committees are set out in the Terms of Reference ("TOR") of each Committees as approved by the Board and set up in the Board Charter which is available on the corporate website at www.plb.com.my</p> |

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| Explanation for departure : | | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The role and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 5(d) of the Board Charter, which is available for reviewing in the Group's corporate website at www.plb.com.my</p> <p>The key roles of the Chairman, amongst others, are as follows:</p> <ul style="list-style-type: none"> i. ensure that the Board functions effectively, cohesively and independently of Management; and ii. providing governance in matters requiring corporate justice and integrity leading the Board, including presiding over Board meetings and Company meetings and directing Board discussions to effectively use the time available to address the critical issues facing the Company promoting constructive and respectful relationship between board members and between board members and management ensure that there are effective communication between the Company and/or Group and its shareholders and relevant stakeholders. |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.3

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman is Dato' Seri Ong Choo Hoon and the Chief Executive Officer ("CEO") is Dato' Dr. Ong Seng Soon, both holding separate positions. Their respective roles and responsibilities are set out in the Company's Board Charter. The roles and responsibilities of the Chairman and CEO are clearly segregated and distinct to ensure balance of power and authority.</p> <p>The CEO is responsible for leadership of the business and managing it within the authorities delegated by the Board. In particular:-</p> <ol style="list-style-type: none"> i. developing the strategic direction of the Group; ii. ensure that the Company and/or the Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees; iii. ensure that the objectives and standards of performance are understood by the Management and employees; iv. ensure that the operational planning and control systems are in place; v. monitoring performance results against plans; and vi. taking remedial action, where necessary. <p>The Board Charter under Paragraph 5(d) has outlined the Role of the Chairman and the Role of the CEO to ensure accountability and division of responsibilities, and the Board Charter is available for viewing in the Group's corporate website at www.plb.com.my</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 1.4

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supported by suitably qualified and competent Company Secretary who are members of the relevant professional bodies. The appointment of Company Secretary is based on the capability and proficiency determined by the Board. All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretary on all matters relating to the Group to assist them in the furtherance of their duties. The Board is regularly updated and kept informed by the Company Secretary and the management of requirements such as restriction in dealing with the securities of the Company and updates as issued by the various regulatory authorities including the latest developments in legislations and regulatory framework affecting the Group.</p> <p>Where necessary, the Directors may, whether collectively as a Board or in their individual capacities, seek external and independent professional advice from experts on any matter in furtherance of their duties as they may deem necessary and appropriate at the Company's expense.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board meets quarterly to review and deliberate all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be called when and if necessary. The relevant reports and Board Papers are distributed to all Directors in advance of the Board Meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during the meetings. Minutes of the meeting are circulated to the Board and the Management for review and comments in a timely manner before the minutes of the last Board meeting are confirmed at the next Board meeting. | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Board had on 28 October 2013 formalised a Board Charter to document these roles and responsibilities to ensure accountability of the Board and made some revisions to the Board Charter on 12 December 2018. The Board is guided by the Board Charter, which provides a reference for Directors in relation to the Board's role, powers, duties and functions. The Board Charter also serves as a reference point for the Board's activities where the Board has established clear functions reserved for the Board and those delegated to the Management. The Board Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors. The Board Charter is subject to periodical review by the Board as and when required to ensure consistency with the Board's strategic intent as well as in line with the latest statutory and regulatory requirements. The Board Charter and its TOR are made available at the Company's website at www.plb.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

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Board commits towards establishing a corporate culture to nurture a high standard of ethical conduct throughout the Group and to promote ethical corporate environment in the country. The Code of Conduct sets out basic principles and guidelines to all Directors, management and employees of the Group. The Code of Conduct & Ethics, adopted by the Board on 28 October 2013 is guided by the framework issued by the Companies Commission of Malaysia. It covers implementation of internal systems and processed for matters regarding compliance with statutory and listing obligations by the Company. The Code of Conduct & Ethics is available on the Company's website at www.plb.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

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Whistleblowing Policy of the Company was adopted on 28 October 2013. The Whistleblowing Policy serves as an essential part of the Group's internal control system setting out a framework for all employees and stakeholders of the Group to report any concern about any malpractice within the Group. It also helps to nurture a good organizational culture with the Group and develop a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behaviour creating an ethical corporate climate. The Whistle-Blowing Policy is available at the Company's website at www.plb.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

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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The current Board comprised of eight (8) members with three (3) being Independent Non-Executive Directors (“INEDs”). The Board is in compliance with Chapter 15.02 of the Main Market Listing Requirements of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are INEDs.</p> <p>The Board is mindful that it does not comprise at least half of INEDs as it is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinions and viewpoints.</p> <p>The current composition of the Board Committees (with the exception of the Remuneration Committee) however is made up of only INEDs. This affirms the Board’s commitment towards independence in Board leadership and provide strong check and balance in the Board’s governance function. Therefore, the lack of the necessary number of INEDs has not jeopardised the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group.</p> <p>Nonetheless, the Board will address Board succession planning in the near future to ensure that INEDs form 50% of Board composition.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | Choose an item. |

Intended Outcome

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.

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| Application | : | Applied - Annual shareholders' approval for independent directors serving beyond 9 years |
| Explanation on application of the practice | : | <p>The Board takes cognisance of the MCCG's recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. If the Board intends to retain an independent director beyond nine (9) years, it should provide justification and seek annual shareholders' approval. If the board continues to retain the independent director after year 12, the board should provide justification and seek annual approval through a two-tier voting process.</p> <p>As at the end of the financial year 31 August 2018, save for Ms. Wein Siew Fen, the other two Independent Directors have been in service for more than nine (9) years.</p> <p>Mr. Saw Chin Eng and Ms Teoh Siew Tin were appointed to the Board on 30 May 2001 and 30 October 2008 respectively. Mr Saw Chin Eng has served the Board for more than 17 years while Ms Teoh Siew Tin has been on the board for more than 10 years.</p> <p>Notwithstanding the tenure limit, the Board recognises that INEDs have developed a good understanding of the Group's businesses over time and it could lose their valuable contributions simply by phasing out INEDs who have reached the limit. In this context, the Board has via the Nominating Committee, assessed the independence of the said directors and recommends for them to continue to act as INEDs of the Company based on the justifications on the notion that the Board still believes that term limits do not in any way interfere with an Independent Non-Executive Director's judgement and ability to act in the best interest of the Company. The proposed retention of both Mr Saw Chin Eng and Ms Teoh Siew Tin as INEDs will be presented for shareholders' approval in the coming 18th Annual General Meeting ("AGM").</p> <p>The Board defers the adoption of the two-tier voting process as the</p> |

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| | Company has yet to amend its Constitution. | |
| Explanation for departure : | | |
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| <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.

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supportive of diversity on the Board and in the Senior Management team.</p> <p>Appointment of members of the Board and the Senior Management team are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background. The Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as general management and operations, commercial, finance and accounting, corporate affairs, construction and development, sales and marketing, business, tax among others.</p> <p>The current Board is drawn from different ethnic, cultural and socio-economic background with their age ranging from 51 years to 79 years to ensure that different viewpoints are considered in the decision making process.</p> <p>The Board acknowledges the importance of diversity to ensure the mix and profiles of the Board members, in terms of age, ethnicity and gender, ability to provide the necessary range of perspectives, experiences and expertise required are well balanced in order to achieve effective board stewardship.</p> <p>The Board currently comprises three female directors, making it more than one third of the total composition of directors.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.5

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has always considered gender and workplace diversity set out under the Recommendation 4.5 of the MCCG emphasising on supporting the representation of women at senior level of the Group and on the Group’s respective subsidiary boards.</p> <p>Currently, there are three (3) female Directors on the Board which accounts for more than 37.5% of the Board Structure.</p> <p>The Senior Management comprises 19% of women employees.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The NC generally relies mainly on recommendations from existing Board members or major shareholders.</p> <p>The Board is committed to ensure that the Board is comprised of Directors who have the necessary skills, competencies, commitment and experience to complement the efficiency and effectiveness of the Board as a whole.</p> <p>The Board's NC is entrusted with the responsibility to review, propose and recommend the appointment of potential new Directors after taking into consideration the current and future needs of the Company.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.7

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The membership classification of the NC is set out in its TOR. The current Chairman of the NC is the Independent Non-Executive Director, Mr. Saw Chin Eng, who is nominated amongst the INEDs.</p> <p>The Chairman of the NC leads the succession planning and appointment of board members and lead the annual review of board effectiveness, ensuring that the performance of each individual director is independently assessed. The primary responsibilities of the NC are as set out in its TOR, which is available on the Company's website at www.plb.com.my</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

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The INEDs are assessed annually by the NC on behalf of the Board. Following an assessment carried out for financial year ended 31 August 2018, the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to provide unbiased impartial and objective opinion during meetings and act in the best interest of the Company.</p> <p>The Director who is subject to re-election and/or re-appointment at next Annual General Meeting is assessed by the NC before recommendation is made to the Board and shareholders for re-election and/or re-appointment.</p> <p>Appropriate assessment and recommendation by the NC is based on the annual assessment conducted.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company.</p> <p>The remuneration policy for executive directors is based on the achievements and contribution of each member measured against their respective key performance indicators. The Board shall determine the remuneration of executive directors taking into consideration the recommendations of the RC.</p> <p>The non-executive Directors will receive a fixed base fee, not by a commission or on percentage of profits/turnover, as consideration for their Board duties. The aggregate amount of directors' fees to be paid to non-executive directors is subject to the approval of the shareholders at a General Meeting.</p> <p>Remuneration for non-executive directors is not linked to individual performance.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has set up a RC which recommends the remuneration for the Executive Directors. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. Individual Directors abstain from deliberations and voting on the decision in respect of their own remuneration.</p> <p>The Board recognizes that the remuneration package should be sufficient to attract, retain and motivate Directors of caliber needed to run the Group successfully. The remuneration of Executive Directors is generally based on their experience, responsibilities held, market conditions and the Group's overall financial performance. The remuneration of Non-Executive Directors is by way of fixed annual fees. Decisions and recommendations of the Committee are reported back to the Board for approval and where required by the rules and regulations governing the Company, for approval of shareholders at the Annual General Meeting.</p> <p>The key duties and responsibilities of the RC are as stated in its TOR which is available in the Company's corporate website, www.plb.com.my</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> | | |
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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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | The remuneration of the Directors for the financial year under review is as stated in page 31 of the Corporate Governance Report in the 2018 Annual Report. |
| | | The Board is of the view that the disclosure of remuneration by appropriate components and bands as tabled in the Corporate Governance Overview Statement are sufficient to meet the objectives of the MCGG and MMLR. The detailed disclosure of individual Director's remuneration will not have a significant effect on the stakeholder's evaluation of the Group's governance. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board is of the view that the disclosure of the senior management's remuneration will impinge on the confidentiality and privacy of the respective individuals and may result in negative repercussions on the Group's human resources taking into consideration the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations. | |
| | | The Board is of the view that the negative repercussions and implications far outweighs the benefits to be derived from adopting the disclosures under the recommended practice 7.2. | |
| | | The Board ensures that senior management remuneration is commensurate with their individual performance taking into consideration the Company's performance. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 7.3 - Step Up

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

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent AC.

The board is able to objectively review the AC'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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | Mr. Saw Chin Eng is the Chairman of the AC. Details on the composition, TOR and other pertinent facts of the AC is outlined under the AC Report in the 2018 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

There is an effective and independent AC.

The board is able to objectively review the AC’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 | : | None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AC. As such, there was no need to establish such policy presently. The policy will be established when the need arise in future. The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC is a former key audit partner. | |
| 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 undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency, quality of audit engagement and independence of the external auditors. The AC meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. At least once a year and whenever necessary, the AC meets with the external auditors without the presence of executive Board members or Management personnel, to allow the AC and the external auditors to exchange independent views on matters which require the AC's attention.</p> <p>The only recurring non-audit service provided by the external auditors is the review of Statement on Risk Management and Internal Control ("SORMIC").</p> <p>The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the professional and regulatory requirements.</p> <p>A summary of activities of the AC during the financial period under review is set out in the AC Report in the 2018 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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | All three (3) members of the AC are INEDs. |

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 members of the AC possess the necessary skills to discharge their duties and are financially literate. The profiles of the AC are provided in the 2018 Annual Report.</p> <p>The Directors recognize the need for all Board members including AC members to continue to undergo relevant training programmes to update their knowledge and enhance their skills where relevant to enable them to sustain their active participation in the Board and Board Committees.</p> <p>The training programs that the AC members have attended during the financial year ended 31 August 2018 are disclosed in the 2018 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

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 | : | The Group has in place an effective risk management and internal control framework to identify and assess the risks faced by the Group and thereafter, to implement and monitor appropriate internal controls to manage and mitigate those risks. | |
| 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 Risk Management Framework are set out in the SORMIC as presented in the 2018 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

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 | : | <p>The Board acknowledges its overall responsibility for the Group's system of risk management and internal control and for reviewing its adequacy and integrity. The system of internal control covers not only financial but organisational, operational, regulatory and compliance as well as risk management. The Board recognises that the system is designed to manage, rather than eliminate, the principal business risks that may impede the Group from achieving its business objectives and safeguarding the assets entrusted under the Board's custody. The system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.</p> <p>The Company has a Risk Management Committee which is chaired by an Independent Non-Executive Director, Ms Teoh Siew Tin and fully supported by the heads of the departments and subsidiaries within the Group, without the presence of the Executive Directors.</p> <p>The Board regularly receives and reviews reports on internal control and is of the view that the system of risk management and internal control that has been instituted throughout the Group is sound and adequate to safeguard the shareholders' investments and the Group's assets. The SORMIC set out on pages 35 to 37 of the 2018 Annual Report provides an overview of the Group's approach to ensuring the effectiveness of the risk management and internal control processes within the Group.</p> |

Intended Outcome

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

Practice 10.1

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function is independent of the operations of the Group. The internal audit function is manned by one (1) full time Internal Auditor (employed as an In-House Internal Auditors). The In-House Internal Auditor is tasked with conducting audits on the Group's projects' progress, management and workmanship.</p> <p>The Internal Auditors' role is to assist the Board and AC in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's Internal Control System.</p> <p>The internal audit functions are carried out in accordance to the risk based internal audit plan approved by the AC. The internal audit plan is developed taking into consideration the Group's risk profiles and concerns of the Executive Management and the Board. The Internal Auditor reports directly to the AC. Further details of the internal audit activities are set out in the AC Report and the SORMIC of the 2018 Annual Report.</p> <p>The activities of the internal auditors during the financial period are set out in the AC Report in the 2018 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

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 personnel who carry out internal audit work is free from any relationships or conflict of interest which could impair their objectivity and independence.</p> <p>In appointing the Internal Auditor, Puan Aini Najihah Binti Jusoh, the Board and the AC has taken into consideration her experience in providing internal audit services to listed companies.</p> <p>Puan Aini does not have any relationship or conflict of interest with any member of the staff or management of the Group. Her audit approach is risk-based and business focused.</p> <p>Puan Aini graduated from University of Kent at Canterbury with a Degree in Accounting. She is a Chartered Member of the Institute of Internal Auditor Malaysia (CMIIA).</p> <p>She is an Internal Auditor with more than 23 years of experience in both internal and external audit works.</p> <p>The scope of work in internal audit is carried out in accordance with an internal audit plan approved by the AC. The audit plan is focused on high risk areas identified through the Group’s risk evaluation process.</p> <p>The information on the Internal Audit function is available in the Statement on Risk Management and Internal Control in the 2018 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 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 Company acknowledges the importance of transparent, timely and equal dissemination of quality material information to shareholders, investors and public at large. As such, the Board observed the Corporate Disclosure Guide issued by Bursa Securities which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the Listing Requirements.</p> <p>The Company reaches out regularly to its stakeholders through announcements of its quarterly financial results, circulars and statements, press releases and other disclosure announcements made to Bursa Securities, as appropriate, to provide them with timely information to enable them to make informed decisions. The Annual Report provides stakeholders with information on the business and financial performance of the Group as well as its policies on governance, the environment and social responsibility</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.2

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Not Applicable | |
| | | The Group does not fall within the definition of large companies. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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 | : | The Company has given at least twenty-eight (28) days' notice to its shareholders for the forthcoming 22 nd Annual General Meeting. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All the Directors of the Company attended the previous AGM that was held on 30 January 2018 and all the Directors have confirmed their attendance for the forthcoming AGM to be held on 30 January 2019, barring unforeseen circumstances.</p> <p>The Board members who are also Chairman of the Board Committees are present at the AGM to respond to questions raised by the shareholders if 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 | : | | |
| Explanation for departure | : | Based on the past trend of number of shareholders, the Company does not have a large number of shareholders. Also, a large majority of shareholders are Malaysians. Further, all general meetings are held at its principal office in Penang which is easily accessible to all shareholders. As such, the concern over voting in absentia and/or remote shareholders' participation at AGM are not applicable. | |
| | | As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

**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.

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