

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5213
COMPANY NAME : SENTORIA GROUP BERHAD
FINANCIAL YEAR : 30 SEPTEMBER 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>Roles and Responsibilities</p> <p>The Board's function, amongst others, is to guide the Group on its short and long term goals, providing advice, stewardship and directions on the management and business of the Group.</p> <p>The Board's principal responsibilities include the following:</p> <ul style="list-style-type: none">• Reviewing and adopting a strategic plan for the Group;• Overseeing the conduct of the Group's business and to build sustainable value for shareholders;• Identifying principal risks and ensuring the implementation of appropriate risk management, internal controls and mitigation measures;• Succession planning;• Overseeing the development and implementation of a shareholder communications policy for the Group; and• Reviewing the adequacy and the integrity of the management information and internal control systems of the Group including systems for compliance with applicable laws, regulations, rules, directives and guidelines. <p>To enable the Board to discharge its role and functions effectively, the Board has established the following committees:</p> <ul style="list-style-type: none">• Audit and Risk Management Committee ("ARMC")• Nomination Committee ("NC")• Remuneration Committee ("RC") <p>The above roles and responsibilities have been formalised in the Board Charter which is uploaded onto the Group's website at www.sentoria.com.my</p> <p>Code of Conduct and Ethics</p> <p>The Board has formalised a Code of Conduct and Ethics which reflects the Group's vision and core values of integrity, respect and trust. The core areas concerned include the following:</p> <ul style="list-style-type: none">• Conflicts of interest• Confidential information• Insider information and securities trading• Fair dealings• Protection and proper use of Group's assets• Other legal and ethical standards

- Compliance with laws, rules and regulations
- Reporting of any illegal or unethical behaviour
- Compliance procedures

The Code of Conduct and Ethics governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are any breaches. In connection thereto, each Director is to communicate any suspected violations of the code to the ARMC Chairman and all violations will be investigated by the Board or by persons designated by the Board, and appropriate action will be taken in the event of the said violations. This code is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

The Code of Conduct and Ethics are set out in the Board Charter and can be viewed at Group's website.

Whistle-blowing Policy

To maintain the highest standards of ethical conduct, the Group has a formal Whistle-blowing Policy. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers will not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith.

All concerns raised will be investigated and whistle-blowers can report directly to the Chairman of the ARMC.

The Whistle-blowing Policy can be viewed on the Group's website.

Sustainability

The responsibility to promote and embed sustainability in the Group lies with the Board and in this respect, it strives to achieve continuing growth and profitability in a safe, caring and sustainable environment.

The Group's Sustainability Statement is set out on pages 17 to 18 of the Annual Report 2018.

Succession Plan

The Group recognises that effective succession planning is integral to the delivery of the Group's strategic plans. It is essential to ensure a continuous level of quality in key management to avoid instability and to mitigate risks which may be associated with any unforeseen events, such as the departure of a key individual, as well as to promote diversity.

Currently, there is an informal succession plan for key management put in place by the Joint Managing Directors ("**JMDs**"). Going forward, the Board will, with the JMDs, develop a more formal and definitive succession plan.

Notwithstanding the informality of the existing succession plan, the Board is conscious that the Group must secure a pipeline of talented and capable individuals from within the Group who will ultimately progress to key management and/or Board positions. The Group's approach to succession planning encompasses potential succession to all senior positions including that of the JMDs; and considers the identification, development and readiness of potential successors to be of paramount importance. The Board is aware that the Group cannot, at this moment, afford to have candidates who are Up-Next:

	<p>Ready Now for all key positions in the Group. To address this shortcoming, the Group intends to use executive search consultants as and when the need arises.</p> <p>Access to Information and Advice</p> <p>All Directors have unrestricted access to Executive Management and the service and advice of the Joint Company Secretaries, and the internal and external auditors (via the ARMC) and they as a whole or individually may also seek independent professional advice if necessary, at the Group's expense to enable them to discharge their duties and responsibilities.</p> <p>The independent members of the Board are kept updated on the Group's activities and operations by the JMDs and/or the Group Chief Financial Officer on a regular basis and all Directors have the right of access to all reports on the Group's activities, both financial and operational.</p> <p>The Directors also received updates from time to time on relevant new laws and regulations. Visits by the Directors to the Group's businesses were also arranged for enhancement of their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Our Chairman, Datuk Aznam bin Mansor is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner. In fulfilling this role, our Chairman:</p> <ul style="list-style-type: none"> • Provides leadership to the Board to ensure its effectiveness, without limiting the principle of collective responsibility for Board decisions; • Sets the agenda for Board meetings, in conjunction with the JMDs and ensures that adequate time is available for discussion of all items on the agenda; • Promotes a culture of openness and debate during Board meetings; • Ensures that the Directors receive complete, adequate and timely information; • Ensures effective communications with shareholders; • Facilitates effective contribution by Independent Directors; and • Promotes high standards of corporate governance.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 JMDs are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman is Datuk Aznam bin Mansor while the JMDs are Dato' Chan Kong San and Dato' Gan Kim Leong. The roles of the Chairman and JMDs are strictly separated to ensure balance of power and authority and to maintain effective supervision and accountability of the Board and Executive Management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board have the service and advice of Joint Company Secretaries. The current Joint Company Secretaries, Datuk Tan Leh Kiah, Ms Lim Chien Joo and Ms Chin Lee Chyen are members of the Malaysian Institute of Chartered Secretaries and Administrators with more than fourteen (14) years of corporate secretarial experience and their tasks include, but are not limited to the following:</p> <ul style="list-style-type: none">• Manage all Board and Board committees' meeting logistics, attend and record minutes of all Board's and Board committees' meetings and facilitate Board communications;• Advise the Board on its roles and responsibilities;• Ensure adherence to Board's and Board committees' policies and procedures;• Facilitate the orientation of new Directors and assist in Directors' training and development;• Advise the Board on corporate disclosures and compliance with company and securities regulations and the Main Market Listing Requirements of Bursa Securities Malaysia Berhad ("MMLR");• Ensure timely communication of Board and Board committees' decisions to Executive Management for action;• Manage processes pertaining to general meetings;• Monitor corporate governance developments and assist the Board in applying governance practices to meet Board's needs and stakeholders' expectations;• Notify the Chairman of any possible violations of regulatory requirements; and• Serve as a focal point for stakeholders' communications and engagement on corporate governance issues.
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>To facilitate the Directors’ time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board at the beginning of each calendar year to provide ample time for the Directors to plan their attendance.</p> <p>The notices of meetings and agenda are sent to the Directors electronically at least one (1) week in advance and Board meeting papers are delivered to the Directors in hard copies at least three (3) days prior to Board meetings. This enables the Directors to prior peruse the matters to be deliberated upon, and if necessary, further information are provided at the meeting for deliberation and informed decision making.</p> <p>The Board meeting papers include, among others, the following documents or information:</p> <ul style="list-style-type: none"> • Reports of meetings of all committees of the Board including matters requiring the Board’s deliberation, approval and notation • Performance reports of the Group, which include information on financial, strategic business issues and updates • Major operational, financial, legal, regulatory and corporate issues • Board papers for other matters for discussion/approval <p>All deliberations, discussions and decisions of the Board meetings were minuted and recorded accordingly. All proceedings of Board meetings were signed by the chairperson of the meeting concerned or the chairperson of the next meeting pursuant to Article 133 of the Company’s Constitution.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has formally adopted a Board Charter that sets out the respective roles and responsibilities of the Board, Board committees and Executive Management and the standard of conduct expected of individual Directors.</p> <p>The Board Charter clearly sets out the matters reserved for the Board, except where they are expressly delegated to a Board committee, the Chairman, the JMDs or a nominated member of Executive Management.</p> <p>The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group.</p> <p>More information on the Board Charter can be found on the Group's website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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	:	See explanation on the application of Practice 1.1.	
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

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	:	See explanation on the application of Practice 1.1.	
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

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The majority of the Board comprises Independent Directors who bring objective and independence judgements to facilitate a balanced leadership in the Group. There are currently six (6) members on the Board, of whom four (4) are Independent Directors.</p> <p>The Board recognises the importance of independence and objectivity in the decision making process. Each of the Independent Directors has declared his personal independence to the Board based on the criteria as set out in Paragraph 1.01 and Practice Note 13 of the MMLR.</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 4.2

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
Explanation on application of the practice	:	<p>The tenure of an Independent Director is stipulated in the Board Charter, whereby it shall not exceed a cumulative term limit of nine (9) years.</p> <p>However, an Independent Director may continue to serve on the Board beyond nine (9) years subject to his/her re-designation as a Non-Independent Director.</p> <p>In the event that said Director is to remain designated as an Independent Director, the Board shall, upon the recommendation by the NC, justify and obtain shareholders’ approval for the Director concerned to be retained as an Independent Director.</p> <p>If the Board continues to retain the Independent Director after the twelfth (12th) year, annual shareholders’ approval must be sought through a two-tier (2-tier) voting process.</p> <p>As of the date of the forthcoming 20th Annual General Meeting (“AGM”), all the current Independent Directors have been in office for not more than nine (9) years.</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 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In assessing the suitability of any candidate for the directorship, the Board (via the NC) will take into consideration the candidate's reputation, educational background, skills, knowledge, expertise, competence and experience that is in line with the Group's business operations, age, time commitment, independence and integrity.</p> <p>As for Executive Management, the Board is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with the appropriate experience and qualifications will be considered during recruitment and promotion.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Group does not have a formal gender diversity policy. The NC as well as the Board opined that given the current state of the Group's development, it is more important to have the right mix of skills on the Board rather than to attain the 30% threshold.	
		Nevertheless, the Board is consistently looking for potential women Directors and shall appoint additional women Directors and shall appoint women to the Board as and when suitable candidates are identified. The Board is mindful of gender diversification issue, and will response accordingly at the appropriate junction.	
<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	:	Although it has been the norm for the Board to rely on existing Directors or Executive Management or major shareholders to recommend candidates for appointment of Directors, the Board, if appropriate, will also rely on recommendations from business associates, advisers, consultants, etc. for potential candidates for appointment to the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Mr Lee Chaing Huat who is also the Senior Independent 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 (via the NC) evaluates the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director. This evaluation which is done internally and annually is conducted on a peer and self-evaluation basis through evaluation forms covering the following aspects:</p> <p>(i) Board and Board committees (other than the ARMC)</p> <ul style="list-style-type: none"> • Mix and composition • Quality of information and decision making • Activities <p>(ii) ARMC</p> <ul style="list-style-type: none"> • Quality and composition • Skills and competencies • Meeting administration and conduct <p>Completed evaluation forms and the results of the evaluations are collated into a report and deliberated on by the NC and subsequently by the Board and key issues arising thereon are identified for further action to be taken by Executive Management.</p> <p>Based on the evaluation carried out for the financial year ended 30 September 2018, the NC has informed the Board that it was satisfied with the effectiveness of the Board and the Board committees and the contribution and performance of each individual Director.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board (via the RC) will ensure that the Group’s levels of remuneration commensurate with the skills and responsibilities expected of Executive Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully.</p> <p>The Board, as a whole, determines the remuneration of the Directors and the individual Director is required to abstain from discussing his/her own remuneration. Individual Directors do not participate in decisions regarding their own remuneration. The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Executive Management.</p> <p>The RC’s recommended remuneration for Directors and Executive Management is subject to Board’s approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Executive Management.</p> <p>In relation to fees and allowances for Directors, it will be presented at the AGM for shareholders’ approval.</p> <p>The details of the Group’s remuneration policies and practices are included in the Board Charter available on the Group’s website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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's terms of reference has been uploaded onto the Group's website.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on a named basis for the remuneration of individual Directors is set out in Note 26 to the financial statements on pages 106 to 108 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

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board has disclosed on a named basis the remuneration of its JMDs. It opined that the disclosure of the compensation of key management personnel in Note 29 to the financial statements on page 111 of the Annual Report 2018 is adequate as it complies with Paragraph 17 of Malaysian Financial Reporting Standard 124 "Related Party Disclosures".	
		This is also in line with the Group's policy of ensuring the privacy of its non-Board employees as well as the competitiveness of the Group in general.	
<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 Chairman of the ARMC is Mr Wong Yoke Nyen and he 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 policy to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC is set out in the ARMC’s Terms of Reference.</p> <p>In this context, none of the current members of the ARMC is a former key audit partner who was involved in auditing the Group.</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 ARMC has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors.</p> <p>Prior to the commencement of the annual audit, the ARMC will seek confirmation from the external auditors as to their independence.</p> <p>This independence confirmation would be re-affirmed by the external auditors to the ARMC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.</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 ARMC comprised solely of Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the ARMC, Mr Wong Yoke Nyen obtained his Bachelor of Arts with Second Class Honours (First Division), after completing a course in accountancy from City of London Polytechnic, United Kingdom (now known as London Metropolitan University). He is also a graduate of the Wharton Advance Management Program from the Wharton Business School of the University of Pennsylvania, an Ivy League university in the United States. He is a seasoned investment banker with more than thirty (30) years of corporate finance and investment banking experience. In 2004, he started WYNCORP Advisory Sdn Bhd, a licensed corporate finance advisory services provider and is currently its Managing Director.</p> <p>Datuk Aznam bin Mansor graduated with a Bachelor of Arts with Second Class Honours (First Division) degree, having completed a course in Law from the North East London Polytechnic, United Kingdom (now known as University of East London), in 1983. He was admitted to the Honourable Society of the Lincoln's Inn in 1984 and was called to the Malaysian Bar as an Advocate and Solicitor in 1986. He started his career as an officer in Malayan Banking Berhad. He then left to join Skrine & Co., a legal firm in Kuala Lumpur, and held the position of legal assistant for eight (8) years. Presently, he is a Senior Partner in Lee Hishammuddin Allen & Gledhill, a prominent legal firm in Kuala Lumpur.</p> <p>Mr Lee Chaing Huat is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He started his career as an auditor with a top-tier accounting firm. In 1980, he joined the financial sector and had worked in major banks such as The Chase Manhattan Bank (now known as JP Morgan Chase Bank) and Kwong Yik Bank Berhad. Upon the merger of Kwong Yik Bank Berhad and DCB Bank Berhad in 1997, he continued with the merged entity, RHB Bank Berhad as EVP/Head of Commercial Banking Division. In 2004, he joined Hong Leong Credit Berhad as its Group Chief Financial Officer and subsequently, Hong Leong Bank Berhad as its Chief Operating Officer/Head of Business Banking Division. In December 2005, he started his own management consultancy and training company.</p> <p>Dato' Hj. Abdul Rahman graduated with a Bachelor of Arts (Sociology and Anthropology) degree from University of Malaya in 1973 and in 1990, he obtained his Master of Public Administration (MPA) also from University of Malaya. He started his career as an Assistant Secretary in the Finance Division of the Ministry of Education Malaysia. In 1978, he moved on to the Ministry of Health Malaysia where he served until 1986. He was then posted to Development Division of the Ministry of Works Malaysia in 1986 where he</p>

	<p>served until 1988. In 1990, he was appointed Director of Road Transport Department Malaysia in Perak and in 1995, he became the Director of Johor State Development Office, a department under the Implementation Coordination Unit of the Prime Minister's Department. In 2000, Dato' Hj. Abdul Rahman was transferred to the Pahang State Secretary Office as Director of the State Economic Planning Unit. In 2002, he became the Hon. State Financial Officer of Pahang and in 2004 he was promoted as the Hon. State Secretary of Pahang, a position he held until his retirement in 2006.</p> <p>They are all financially literate and the training attended by them during the financial year ended 30 September 2018 are disclosed in the Corporate Governance Overview Statement on page 21 of the Annual Report 2018.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

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 Board has established a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite to ensure the Group achieves its business and corporate objectives.	
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 features of the Group's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 26 to 28 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	:	Adopted
Explanation on adoption of the practice	:	The ARMC has been empowered by the Board to directly oversee the Group's risk management framework and policies and its implementation. The ARMC currently has four (4) members, all of whom are Independent Directors.

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 outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group.</p> <p>The internal auditors' independence is maintained by reporting functionally to the Board through the ARMC and administratively to Executive Management.</p> <p>Internal audit reports which are issued have to be tabled to the ARMC for review and Executive Management is required to be present at ARMC meetings to respond and provide feedback on the audit findings and recommended improvements.</p> <p>In addition, Executive Management is also required to present in ARMC meetings, status updates on significant matters and changes in key processes that could impact the Group's operations.</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 internal audit function is outsourced to GovernAce Advisory & Solutions Sdn. Bhd. (1243730-W) (“GovernAce”) which has 8 personnel with relevant qualifications and/or experience in internal auditing.</p> <p>GovernAce’s engagement director in charge of the Group’s internal audit is Mr Ryan Chong Chee Seng, who is a Certified Internal Auditor of The Institute of Internal Auditors Malaysia. He is also a Certified Practising Accountant with CPA Australia, a Chartered Member of Institute of Internal Auditor Malaysia and a Registered Accountant of the Malaysian Institute of Accountants with more than fifteen (15) years of international and local audit experience.</p> <p>During the financial year ended 30 September 2018, the internal audit of the Group was carried out in accordance with a risk-based audit plan (<u>guided by the International Professional Practices Framework issued by the Institute of Internal Auditor</u>) approved by ARMC.</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 is committed to ensuring that communications to stakeholders and the investing public in general, regarding the businesses, operations and financial performance of the Group is timely and factual and are available on an equal basis.</p> <p>The release of announcements and information by the Group to Bursa Malaysia Securities Berhad is handled by the Group Chief Financial Officer, Head of Public & Investor Relations and/or the Joint Company Secretaries within the prescribed requirements of the MMLR and the Group Corporate Disclosure Policy.</p> <p>The Group Corporate Disclosure Policy outlined the procedures and processes to be followed in ensuring compliance by all Directors, officers and employees of the Group.</p> <p>The full text of the Group Corporate Disclosure Policy is available on the Group's website.</p> <p>Information is disseminated via annual reports, circulars/statements to shareholders, quarterly and annual financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the JMDs and/or the Board where necessary.</p> <p>The Group's website also provides all relevant information to shareholders and the investing community. Media releases, analyst reports, quarterly and annual financial statements, announcements, financial information, annual reports and circular/statements to shareholders are uploaded onto the website for the benefit of investors and the public.</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	:	Not Applicable	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company's Notice of the forthcoming 20th AGM shall be given to shareholders at least 28 days prior to the 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	:	Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 20th AGM to address shareholders' queries at the meeting. The external auditors will also be present at the meeting to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	The Company does not have a large number of shareholders and the forthcoming 20th AGM will be held in Gambang, Pahang Darul Makmur which is readily accessible.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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

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

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