

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3476  
**COMPANY NAME** : Keck Seng (Malaysia) Berhad  
**FINANCIAL YEAR** : December 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

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

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the overall performance of the Group.</p> <p>The Board's roles, responsibilities and authorities are set out in the Board Charter which is available at the Company's website – <a href="http://my.keckseng.com">http://my.keckseng.com</a>.</p> <p>Besides being responsible for its statutory obligations, the Board collectively is also responsible for:</p> <ul style="list-style-type: none"> <li>➤ the Group's overall direction, development and control.</li> <li>➤ providing leadership to management.</li> <li>➤ reviewing management's performance and control mechanism.</li> <li>➤ monitoring the Group's financial position and performance.</li> <li>➤ ensuring that adequate systems of risk management and internal control are in place.</li> <li>➤ ensuring that succession planning is in place.</li> <li>➤ the shareholders and other stakeholder's communication policy.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Executive Chairman, Mr. Ho Kim Swee @ Ho Kian Guan is responsible for the following:</p> <ul style="list-style-type: none"> <li>➤ provide leadership to the Board.</li> <li>➤ oversee the Board in effectively discharging its fiduciary duties.</li> </ul> <p>The Chairman with the assistance of the Company Secretary:</p> <ul style="list-style-type: none"> <li>➤ schedules board meetings.</li> <li>➤ ensures board papers are disseminated on a timely basis.</li> </ul> <p>During board meetings, the Chairman ensures that:</p> <ul style="list-style-type: none"> <li>➤ constructive relationships between the board members are maintained.</li> <li>➤ sufficient time is given on deliberations.</li> <li>➤ open, healthy and effective debates are held.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr. Ho Kim Swee @ Ho Kian Guan, the Executive Chairman and Dato' Ho Cheng Chong @ Ho Kian Hock, the Managing Director, both holding separate position and their respective roles and responsibilities are governed in the Board Charter.</p> <p>The roles and responsibilities of the Chairman and Managing Director are made clearly distinct to ensure proper balance of power and authority.</p> <p>The Executive Chairman's role is stated under Practice 1.2.</p> <p>The Managing Director's role is to oversee the Group's day to day operations and communicates policies and strategies adopted by the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by three (3) suitably qualified Company Secretaries in discharging their duties. The Company Secretaries play an advisory role to the Board and are qualified under Section 235(2) of the Companies Act 2016, experienced and competent in performing their duties. The Company Secretary(ies) attend(s) all board meetings and ensures that all board procedures are adhered to.</p> <p>The Company Secretaries' responsibilities are to update and advise the Board on:</p> <ul style="list-style-type: none"> <li>➤ company constitutional matters.</li> <li>➤ board obligations.</li> <li>➤ professional development requirements.</li> <li>➤ compliance matters applicable to the Company.</li> <li>➤ latest regulatory developments.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Board papers are furnished to the members of the Board at least seven (7) days prior to each board meeting. Information to the Board is not restricted to quantitative information but may include other suitable information.</p> <p>Sufficient time is given to enable the Directors to solicit further explanation and/or information, where necessary, prior to meetings.</p> <p>Board members are also accessible to management for information or to exchange views. They can also seek independent professional advice where necessary and in appropriate circumstances, at the expense of the Company to discharge their responsibilities effectively.</p> <p>Minutes are taken at every meeting and are circulated in a timely manner by the Company Secretary.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter acts as a source of reference for the Board and management. It sets out the roles and responsibilities of the Board, Chairman and Managing Director.</p> <p>Among others, the Board reserves full rights to decide on:</p> <ul style="list-style-type: none"><li>➤ Conflict of interest issues relating to a substantial shareholder or director including approving related party transactions;</li><li>➤ Material acquisitions and disposals not in the ordinary course of business including significant capital expenditures;</li><li>➤ Strategic investments, mergers and acquisitions and corporate exercises;</li><li>➤ Authority limits;</li><li>➤ Treasury policies;</li><li>➤ Risk management policies; and</li><li>➤ Key human resource issues.</li></ul> <p>When deemed necessary, the abovementioned matters maybe amended by the Board.</p> <p>The Board has formed three (3) board committees, namely Audit Committee, Nominating Committee and Remuneration Committee to assist in discharging its responsibilities. Each board committee is guided by its respective charter which spells out its duties and authority.</p> <p>The Board and Board Committees' Charters are reviewed and updated as and when necessary, with the latest updates being approved on 28 February 2019. The Charters are available for reference on the Company's website at <a href="http://my.keckseng.com">http://my.keckseng.com</a>.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors and employees are required to uphold high ethical standards and professional conduct at all times and are guided by the Company’s Code of Conduct (“COC”).</p> <p>The COC covers the following:</p> <ul style="list-style-type: none"> <li>➤ employment and behavioural standards.</li> <li>➤ work environment.</li> <li>➤ ethical business standards and conduct.</li> <li>➤ safety, health and environmental.</li> </ul> <p>The COC can also be viewed on the Company’s website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Employees are encouraged to report any breach in the Company’s COC or improprieties. The Company’s Whistleblowing Policy provides an avenue on which complaints can be raised and channelled to the Head of Internal Audit.</p> <p>The Head of Internal Audit who reports to the Audit Committee is responsible to handle whistleblowing cases according to a defined process as outlined in the Whistleblowing Policy.</p> <p>The Board, via the Audit Committee, reviews the Whistleblowing Policy periodically as and when necessary to ensure that it is kept contemporaneous.</p> <p>The Whistleblowing Policy has also been made available on the Company’s website</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The current Board consist of 10 Board members. Out of which, five (5) are Independent Non-Executive Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board and Nominating Committee ("NC") are aware that shareholders' approval is required to retain an independent director, who has served in that capacity for more than nine (9) years.</p> <p>The Board and NC are also aware that shareholders' approval through a two-tier voting process is required for the re-appointment of independent directors that have served for more than twelve (12) years.</p> <p>The Company does not have a policy which limits the tenure of its independent directors to 9 years. Instead, the Board has adopted the best practice for assessing the independence of independent directors i.e. when the Board retains an independent director, who has served in that capacity for more than nine (9) years, the Board will justify its decision and seek shareholders' approval.</p> <p>At the forthcoming 49<sup>th</sup> Annual General Meeting, the Board will seek the approval of the shareholders to retain Mr. Too Hing Yeap @ Too Heng Yip, YM Tengku Yunus Bin Kamaruddin and Maj-Gen (R) Dato' Muhammad Bin Yunus to continue to serve as Independent Non-Executive Directors ("INED") of the Company based on the following justifications:</p> <ul style="list-style-type: none"><li>➤ they have met the definition of "Independent Director" as per paragraph 1.01 of Bursa Securities' Listing Requirements.</li><li>➤ they are physically and mentally fit.</li><li>➤ familiarity with the Group's operations, allowing them to actively participate in deliberations.</li><li>➤ have performed their INED role diligently and have contributed to the performance and growth of the Group.</li><li>➤ the directors remain independent during their tenure in office, as they:</li></ul>

	<ul style="list-style-type: none"> <li>• have not developed, established or maintained any personal or social relationship with the Executive Directors, major shareholders or management of the Company.</li> <li>• have never transacted or entered into any transactions with, or provided services to the Executive Directors, major shareholders or management of the Company.</li> <li>• have not been offered or granted any options by the Company other than director's fees and allowance which have been the norm.</li> </ul>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p><b>Timeframe</b></p>	<p>: Choose an item.</p>

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee (“NC”) is responsible for ensuring that suitable candidates are admitted to the Board. The NC recognises that the Board is to consist of members that bring about diverse skills, knowledge, expertise and opinions.</p> <p>The core competencies of the current Board members consist of one or more of the following:</p> <ul style="list-style-type: none"> <li>➤ leadership and business management.</li> <li>➤ legal.</li> <li>➤ internal controls, risk management and corporate governance.</li> <li>➤ corporate administrative, planning and management.</li> <li>➤ banking.</li> <li>➤ audit assurance, financial and corporate advisory.</li> <li>➤ international relations.</li> </ul> <p>The Board has adopted a Diversity Policy setting the approach to a diverse Board’s composition and Senior Management including but not limited to skills, industrial experience, background, race, age, cultural background, gender and other qualities.</p> <p>The Diversity Policy is made available on the Company’s website.</p> <p>The appointment of senior management falls under the purview of the Managing Director who is aware that a diverse workforce allows the Group to be competitive.</p> <p>For further information, please refer to the Directors’ Profile and Key Senior Management’s Profile in the Company’s Annual Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In reviewing the Board’s composition, the Nominating Committee (“NC”) will consider all aspects of diversity including gender diversity.</p> <p>Ms. Lee Huee Nan @ Lee Hwee Leng is currently the only female director on the Board, but the Board through the NC, will endeavour to search for women candidates whenever a recruitment need arises. Taking into consideration of the present size of the Board, this will be done over time. Notwithstanding that, the NC’s main emphasis will still be on achieving an effective blend of competencies, skills, experience and knowledge for the Board.</p> <p>The Group understands that maintaining a diverse and inclusive workforce is key to improving our services to our customers and returns for our shareholders. Our employees spread across all age brackets, represents a variety of nationalities, genders, work style, viewpoints and expectations. An analysis of our manpower can be found in our Sustainability Statement.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Candidates for appointment of directors may be facilitated through recommendations from the directors, management, advisors or external parties including business associates.</p> <p>The Nominating Committee may seek professional advice and/or conduct search by utilising a variety of independent sources to identify potential candidates.</p> <p>During the financial year, other than the appointment of Mr. Ho Chung Kiat, Sydney (He ChongJie, Sydney) on 15 October 2018, as alternate director to Mr. Ho Eng Chong @ Ho Kian Cheong, there were no changes to the composition of the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nominating Committee (“NC”) consist of 5 Independent Non-Executive Directors. Mr. Too Hing Yeap @ Too Heng Yip, the Senior Independent Non-Executive Director, chairs the NC.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee (“NC”) conducts an annual assessment and evaluation on the effectiveness of the Board, Board Committees and the contribution of each individual director. The evaluation process is based on self and peer assessments whereby the Directors assessed each other and themselves, the Board as a whole and the performance of each Board Committees.</p> <p>The assessment results will be deliberated by the NC and presented to the Board. The outcome of the assessment will be properly documented.</p> <p>Based on the recent assessment, the NC is satisfied that the Board and the respective Board Committees continue to operate effectively and each Director have demonstrated commitment to their role and continue to operate effectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee is responsible for reviewing the remuneration package of the Directors annually. The Directors' remuneration packages are structured to ensure that they are competitive and sufficient to attract, retain and motivate the members of the required quality to manage the Company successfully.</p> <p>Directors' fee and benefits paid reflect the individual director's responsibilities, membership of the Board and Board Committees as well as their attendance at Board and Board Committee meetings.</p> <p>The remuneration of the Executive Directors ("ED") and Senior Management ("SM") is based on the responsibilities undertaken by the respective ED and SM. Consideration is also made to ensure that the package is competitive, able to attract, retain and motivate the ED and SM. Review of the existing SM's remuneration package is under the purview of the Managing Director, is performed annually and coincides with the staffs' annual performance appraisal / increment review.</p> <p>The Remuneration policy can be viewed on our Company's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Remuneration Committee ("RC") consist of five (5) Independent Non-Executive Directors.  The review of the Executive Directors', Non-Executive Director's, Independent Non-Executive Directors' remuneration packages are the responsibilities of the RC. The RC's Charter which deals with its duties and authority is available for viewing on the Company's website.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Details of the Directors' remuneration on a named basis is disclosed in the Corporate Governance Overview Statement in the 2018 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Due to the sensitivity nature of remuneration, the Company is not in favour of disclosing on a named basis the remuneration of the top five (5) senior management's ("SM") remuneration component.	
		Disclosure is made for the top five (5) SM in bands of RM50,000 but excludes the breakdown of remuneration component.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Mr. Too Hing Yeap @ Too Heng Yip, the Senior Independent Non-Executive Director is the Chairman of the Audit Committee, whilst Mr. Ho Kim Swee @ Ho Kian Guan is the Executive Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee will observe a cooling off period of two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee (“AC”) was a key audit partner.</p> <p>The guide on appointment of former key audit partner as a member of the AC is stated in the AC Charter, which is made available, on the Company’s website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee on an annual basis, assesses the external auditors' independence and effectiveness in performing the audit before recommending their re-appointment as the Company's External Auditors.</p> <p>During the 2018's audit plan review, the External Auditors have also confirmed their independence in accordance with the By-laws of the Malaysian Institute of Accountants.</p> <p>The External Auditors' Independence Policy can be found on the Company's website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises solely of Independent Non-Executive Directors.

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The current members of the Audit Committee ("AC") possess a range of skills and the requisite financial literacy to discharge its duties effectively. The qualification and experience of the individual AC members are disclosed in the Directors' Profile in the Annual Report.</p> <p>All members of the Board, including members of the AC are encouraged to undertake continuous professional development by attending trainings, workshops, seminars or briefings at the Company's expense to keep abreast with relevant industry developments including accounting and auditing standards, business practices and rules, as well as statutory and regulatory requirements.</p> <p>In 2018, the AC members have attended one or more of the following trainings:</p> <ul style="list-style-type: none"><li>➤ Overview of Development Process &amp; Rezoning KSM Property Division Updates for 2018 Surrender Back and Re-alienation (SBKS) – The Current Practice In Johor</li><li>➤ Audit Committee Institute (ACI) Breakfast Roundtable 2018</li><li>➤ Transitional Issues from GST to SST – Your Questions on SST Answered</li><li>➤ Budget 2019 – Key Updates and Changes for Corporate Accountants</li><li>➤ Sustainability Report, Detecting Financial Frauds and Common Breaches of the Listing Requirements with Case Studies</li></ul>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for establishing and maintaining a sound system of risk management and internal control to safeguard the interest of its shareholders and stakeholders.</p> <p>The Audit Committee (“AC”) assist the Board in evaluating the adequacy and effectiveness of the system of risk management and internal control.</p> <p>Risk and Sustainability Committees* (“RSC”) formed by the respective operating business units to assist the Managing Director in ensuring that risk and sustainability management processes are in place. The RSCs identify, rate and evaluate their own risks. Measures taken to mitigate those risks are recorded in the risk assessment analysis reports. The identified risks are then reported to the AC for review and deliberation.</p> <p>For detailed information, please refer to the Statement on Risk Management and Internal Control in the 2018 Annual Report.</p> <p>* Effective 28 February 2018, Risk Management Committees were renamed as Risk and Sustainability Committees.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The current risk management and internal control framework is formulated based on the Group's culture, needs, size and business diversity.  The key features of our risk management and internal control system and framework are mentioned in the Statement of Risk Management and Internal Control of the 2018 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee ("AC") oversees the risk management of the Group.</p> <p>The AC, comprising solely Independent Directors, assists the Board in evaluating the adequacy and effectiveness of the system of risk management and internal control.</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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is carried out by its in-house Internal Audit Department (“IAD”), who reports directly to the Audit Committee. The IAD is governed by the Internal Audit Charter and performs its duties independently.</p> <p>Annually, the Audit Committee will approve the IAD’s annual audit plan and assess the:</p> <ul style="list-style-type: none"> <li>➤ internal auditors’ independence, performance and effectiveness.</li> <li>➤ adequacy of the IAD’s resources.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Department (“IAD”) consists of five (5) members, of which three (3) are Qualified professionals and two (2) are accounting degree holders. The IAD is headed by Ms. Suenitha Chupaya, a qualified accountant registered with the Malaysian Institute of Accountants and The Institute of Internal Auditors, Malaysia. The appointments and resignations of the internal auditors are under the purview of the Audit Committee.</p> <p>None of the IAD members have any family relationship with any director and/or major shareholder of the Company or any conflict of interest which could impair their objectivity and independency.</p> <p>The IAD adopts a risk-based audit approach in evaluating the adequacy and effectiveness of internal controls, reliability of information, effectiveness and efficiency of operations and compliance with laws and regulations.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board ensures that the Company’s website which is accessible to the public contains all information relating to the Company, corporate announcements, quarterly financial results, Annual Report, Company’s policies and procedures and/or operation reviews so as to promote a closer association with its stakeholders.</p> <p>The Board regards the Annual General Meeting as the primary platform where its shareholders are given the opportunity to speak and seek clarifications and the Annual Report as a vital and convenient source of information for existing and potential investors and stakeholders.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	Not applicable as the Company does not fall under the definition of “large companies” defined by the Malaysian Code on Corporate Governance.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Last year's Notice of Annual General Meeting ("AGM") was set and made available on the Company's website on 30 April 2018 and the AGM was held on 30 May 2018. Thus, the notice of at least 28 days was adhered to.</p> <p>This year's Notice convening the 49<sup>th</sup> AGM to be held on 30 May 2019 is dated 29 April 2019 and circulated to shareholders on the same date, giving the shareholders at least 28 days' notice for holding the Company's AGM.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All directors were present at the last Annual General Meeting held on 30 May 2018 to provide meaningful responses to questions raised.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is of the view that leveraging on technology is not justified since the Annual General Meeting (“AGM”) is held at an easily accessible venue. This decision is also supported by low shareholders turnout trend in the past.</p> <p>In view that all resolutions put to general meetings are to be voted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements, shareholders that are unable to attend the AGM may appoint their proxies to attend and vote on their behalf.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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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