

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0008
COMPANY NAME : WILLOWGLEN MSC 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the oversight and overall management of the Company. The Board meets quarterly to discuss on the business directions, objectives and review management performance. Additional meetings will be held as and when necessary.</p> <p>The major responsibilities of the Board which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company, are outlined in the Board Charter.</p> <p>Kindly refer to Corporate Governance Overview Statement in the 2018 Annual Report for further details on Board leadership.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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	:	Our Chairman, En. Alfian Bin Tan Sri Basir is an Independent Non-Executive Director at the point of his appointment and remains so. He is a respected professional who has many years of working experience has been leading and guiding us in meeting our objectives and goals and practising good 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 CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The Board Chairman and Group Managing Director are separate persons and not related to each other. Their roles are kept separate to ensure a clear division of responsibilities and an appropriate balance of power and authority. This separation of roles promotes greater accountability from Executive Management and allows the Board to exercise its independence in its oversight of and deliberations with 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 Company Secretaries have overall responsibility for the secretariat function and are directly accountable to the Board, through Board Chairman, on all matters to do with the proper functioning of the Board.</p> <p>The Company Secretaries advise the Board on issues relating to the Company's Articles of Association, corporate governance best practices, and compliance with laws, rules and regulatory requirements. They are responsible for ensuring that the Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with.</p> <p>The Company Secretaries also undertake the statutory duties as prescribed under the Companies Act 2016 and the Listing Requirements.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate participation of Directors' attendance at the Board and Board Committee meetings as well as Annual General Meeting of the Company, schedule of meetings for each calendar year is scheduled well in advance before the end of the preceding financial year. Meeting materials and minutes of meetings are circulated in a timely manner. At the end of the meetings, the Chairman summarises the discussions, approvals and action points for the Directors' benefit.</p> <p>For matters which require the Board's decision outside such meetings, board papers along with resolutions in writing will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Executive Management, where required, before approval is granted. Directors, whether as a group or individually, may at their discretion and where necessary, seek and obtain independent professional advice in the furtherance of their duties.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter sets out the respective authority and responsibilities of the Board, Board Committees and Directors and those matters expressly reserved to the Board and those delegated to Board Committees and Executive Management.</p> <p>The Board had recently reviewed and updated the Board Charter on 21 November 2018 to ensure the Board's responsibilities are in line with the Malaysian Code of Corporate Governance, Companies Act 2016 and Listing Requirements. The Board Charter is published on our website at www.willowglen.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is guided by the Code of Conduct and Ethics which sets out the values, principles and guidelines on how the Company conducts its business to ensure integrity and accountability.</p> <p>The Code of Conduct and Ethics is published on our website at www.willowglen.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has implemented clear policies and procedures on whistleblowing. The Whistleblowing Policy is published on the Company'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

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>At present, the Board comprises eight (8) members, five (5) of which are Independent Directors.</p> <p>With the presence of a majority of Independent Directors, the Company is able to facilitate greater checks and balances during boardroom deliberations and decision making. This counterweight allows Independent Directors to encourage, support and drive each other in the value creation and sustainability of the business.</p> <p>In addition, the presence of the Senior Independent Director, Mr. Wang Shi Tsang provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.</p> <p>The Nomination and Remuneration Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is appropriate and well balance in terms of size, mix of skills and experience.</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 4.2

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 - Two Tier Voting
Explanation on application of the practice	<p>The Company will be seeking shareholders' approval at the forthcoming Twenty-First Annual General Meeting ("21st AGM") for the two Directors, Encik Alfian Bin Tan Sri Mohamed Basir ("En. Alfian") and Mr. Wang Shi Tsang ("Mr. Wang") who have served the Board for a cumulative term of more than twelve (12) years to continue to act as Independent Non-Executive Directors, through a two-tier voting process.</p> <p>In accordance with the Malaysian Code on Corporate Governance, the Board through the Nomination and Remuneration Committee ("NRC") has undertaken relevant assessment and recommended for the two Directors to continue to serve as Independent Non-Executive Directors based on the following justifications:</p> <ul style="list-style-type: none">(a) En. Alfian and Mr. Wang have each fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements(b) En. Alfian and Mr. Wang, and the other Independent Directors each function as a check and balance to the Board and exercise objectivity as Directors(c) En. Alfian and Mr. Wang have consistently demonstrated their independence and professionalism, and each have vast experience, knowledge and skills in a diverse range of businesses and therefore provide constructive opinion, counsel, oversight and guidance as Directors.(d) En. Alfian and Mr. Wang have devoted sufficient time and attention to their professional obligations to the Company for informed and balanced decision making. <p>The Board and NRC are satisfied that En. Alfian and Mr. Wang are able to exercise independent judgment and have the ability to act in the best interests of the Company.</p>

	En. Alfian and Mr. Wang have abstained from all deliberations at the NRC and Board in relation to the recommendation of resolutions 8 and 9 set out in the Notice of 21st AGM, to the shareholders for approval.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>Appointments of new Directors to the Board are the responsibility of the full Board on Nomination and Remuneration Committee's recommendation. The Nomination and Remuneration Committee reviews the recommendations and appointments of Directors with due regard to the requirements of Paragraph 2.20A of the Listing Requirements, skills, experience and merit, and the ability to contribute to the Company.</p> <p>Senior Management is appointed through selection and evaluation by our Group Managing Director or Executive Directors based on merits, skills and experience required.</p> <p>During the financial year 2018, the Board appointed Mr. Teh Chee Hoe and Mr. Syed Feisal Alhady as Independent Non-Executive Director of the Company on 5 February 2018 and 1 September 2018 respectively.</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	:	<p>The Board has one (1) female Director out of the total of eight (8) Directors.</p> <p>The present Board composition is cognisant of the diversity requirements and the measures to meet the 30% women director targets.</p> <p>In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience, age, gender, cultural background and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfilment of the gender diversity representation. The Board acknowledges the recommendation of the Malaysian Code on Corporate Governance pertaining to the establishment of boardroom gender diversity policy.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>Appointment of Board is recommended by our Nomination and Remuneration Committee (“NRC”) based on merits, skills and experience required. In searching for suitable candidates, the NRC may receive suggestions from existing Board Members, Management, and major shareholders. The NRC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>In evaluating potential candidates, the NRC will assess directorship suitability based on objective criteria, including:-</p> <ul style="list-style-type: none"> • Qualification • Required competencies, skills, expertise and experience • Specialist knowledge or technical skills • Professionalism and integrity • time commitment to the Company
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee is chaired by our Board Chairman, an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee (“NRC”) and the Board had performed annual assessment on all individual directors, the Board as a whole and all Board Committees, via self-assessment and peer review assessment. The annual assessment on Board effectiveness was conducted internally via questionnaires, which was led by the Chairman of the NRC with the support of the Company Secretaries.</p> <p>In annual assessment of individual Directors by the NRC, the skills and experience of individual Directors are reviewed to ensure the composition of the Board is appropriate with a good mix of skills and core competencies in order to discharge its duties and responsibilities and to meet the business needs of 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

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a formal Remuneration Policy for Directors and Senior Management. The Remuneration Policy establishes a formal and transparent procedure for developing a structure for the remuneration of Directors and Senior Management of the Company with the objective of supporting and driving business strategy and the long-term interests of the Company.</p> <p>The Directors' fees and meeting allowances have been reviewed by the Nomination and Remuneration Committee ("NRC") and the Board, thereafter, recommends to the shareholders for approvals.</p> <p>The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Directors to run the Group successfully. For the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned. Remuneration of the Executive Directors is considered and recommended by the NRC.</p> <p>The Remuneration Policy is published on the Company'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	:	<p>The Board has established Nomination and Remuneration Committee (“NRC”) to review and recommend matters relating to the remuneration of Board. The Terms of Reference of NRC are made available on the Company’s website.</p> <p>The Board and the NRC have a transparent process for approving the remuneration of Non-Executive Directors and the Executive Directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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 remuneration of the individual Directors is disclosed on a named basis and breakdown into fees and salaries and other emoluments.	
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 is of the view that, given that such disclosure will give rise to recruitment and talent retention issues, it is in the best interests of the Company not to disclose the remuneration of its top five Senior Management on a named basis.
		The aggregate quantum of the top five Senior Management's remuneration is disclosed on a band basis in the Annual Report.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.3 - Step Up

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

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 Audit Committee 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>No former key audit partners of the present and former external auditors have been appointed to the Board or employed by the Company.</p> <p>The Board has approved the revised Terms of Reference of the Audit Committee for the purpose of clarity and consistency with the Malaysian Code on Corporate Governance to include the provision of “No former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years.”</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 Audit Committee ("AC") monitors and reviews the effectiveness of the external audit process for the financial statements of the Company, undertakes a detailed review of the audit plan and the audit results report. Any concern with the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of the Company's audited financial statements for the financial year ended 31 December 2018.</p> <p>The AC is tasked with the annual assessment process on the performance and quality of external auditors and their independence, objective and professionalism. Following this year's evaluation using a questionnaire-based internal review, as well as input from officers who have constant contact with the team of the external auditors, Baker Tilly Monteiro Heng throughout the year, the AC was satisfied with Baker Tilly Monteiro Heng's technical competency in terms of their skills, execution of audit plan, reporting and overall performance. Baker Tilly Monteiro Heng has provided a confirmation of, their independence to AC that they were and had been independent throughout the conduct of the audit engagement in accordance with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants and their firm's requirements for the audit of the Company's audited financial statements for the financial year ended 31 December 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises solely of Independent Directors and as such, there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently.

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 Board regards the members of Audit Committee (“AC”) collectively possess the accounting and related financial management expertise and experience required for AC to discharge its responsibilities and assist the Board in its oversight over management in the design, implementation and monitoring of risk management and internal control systems.</p> <p>Members of the AC attend trainings and talks to keep them updated on developments on financial standards. Updates on developments in accounting and governance standards are presented by the external auditors at AC meetings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a formal risk management framework to identify, evaluate and manage significant risks impacting the Company. The risk management framework is aligned with COSO Risk Management Framework 2013 to develop a strong enterprise wide risk management system. The framework spells out the Group’s risk principles and strategies established to drive the risk culture and to consistently practice risk management system at all levels of the Group.</p> <p>The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and effective system of internal control. The Board has the overall responsibility to review and monitor the Group’s risk management and internal control system which provides reasonable assurance of an effective and efficient operation, compliance with laws and regulations and to safeguard shareholders’ investment and the Group’s assets. A Management-level Risk Management Committee was established to oversee the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas and determining its corresponding risk mitigation and treatment measures.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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	:	<p>The system of internal control and risk management are embedded into the operations of the Group, and actions taken to mitigate any weaknesses are carefully monitored.</p> <p>The Group has adopted the COSO Risk Management Framework 2013 to develop a strong enterprise wide risk management system. The framework spells out the Group's risk principles and strategies established to drive the risk culture and to consistently practice risk management system at all levels of the Group.</p> <p>This forms the basis of communication and guide from the Board level down through senior management and finally to all other levels of employees on the risk management methodology to identify, describe, measure, mitigate and report the risks in areas of the Group's business activities that require further development or enhancement.</p> <p>The Board had reviewed the risk management and internal control system of the Group and is of the view that the system is adequate and effective as there were no material weakness and / or reported shortfalls in the risk management practices and internal control system which resulted and / or gave rise to any material loss, contingency and / or uncertainty to the Group.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	The Board has established a Management-level Risk Management Committee, comprises 5 members of the Board of which 2 members 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 supported by an outsourced independent professional service provider, RSM Corporate Consulting (Malaysia) Sdn. Bhd., to assist the Audit Committee as well as the Board in discharging their responsibilities by providing independent, objective assurance and advisory services that seek to add value and improve the Group's operations.</p> <p>The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively. The Internal Auditors' risk-based approach towards the planning and conduct of internal audits, are consistent with the Group's framework in designing, implementing and monitoring its internal control system.</p> <p>The Audit Committee approves their audit plan and upon completion monitor the implementation progress of their audit recommendations.</p> <p>The internal audit function provides the Board reasonable assurance of the effectiveness of the system of internal control in the Group. The details and summary of work of the internal audit function are further disclosed in the Audit Committee Report in the Company's Annual Report for the financial year ended 31 December 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company outsourced its internal audit function to an independent professional firm, RSM Corporate Consulting (Malaysia) Sdn. Bhd. and report directly to the Audit Committee. The engagement team is headed by Mr. Jaymes Foo Fung Yew, an Associate Director of RSM Malaysia.</p> <p>Mr. Jaymes Foo is a qualified accountant and a Professional member of the Institute of Internal Auditors Malaysia (CMIIA).</p> <p>The Audit Committee had evaluated and reviewed the Internal Audit function and were satisfied that the internal audit activities/audit plan were carried out in accordance with recognised framework, which include the Standards in the International Professional Practices Framework (“IPPF”) issued by Institute of Internal Auditors.</p> <p>The Audit Committee also received assurance from the outsourced Internal Auditors that all assigned Internal Auditors engagement team personnel remain independent, objective and free from any relationships or conflicts of interest in carrying out their internal audit duties throughout the engagement.</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 ensures the Company announces its quarterly results on timely basis to the shareholders and also make necessary announcement to its stakeholders.</p> <p>The Board also ensures stakeholders are given the opportunity to speak and seek clarification during the Company’s Annual General Meeting, for effective and transparent communication with its stakeholders.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	The Company is not required to comply with this requirement as it is not a Large Company.
Explanation for departure	:	<p>Corporate information is disseminated via the Company's website and announcements are published on the website of Bursa Malaysia Securities Berhad. At present, the Board is of the view that the Company's Annual Report and its corporate website are comprehensive enough for stakeholders to make informed decisions.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as the Management and Discussion Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, as well as the Sustainability Statement, form an integral part of the non-financial information.</p> <p>Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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 Notice convening the Twentieth AGM is given to the shareholders at least 28 days before the date of holding the Twentieth AGM.	
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	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 12.2

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	:	All Directors and the Chairman of every Board Committee were present at the Twentieth Annual General Meeting of the Company held on 16 May 2018 to address questions from shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>It is not feasible as the Company does not have large number of shareholders. Shareholders who have questions and queries are welcome to submit questions or engage with Management separately. Management will endeavour to respond within reasonable time. Shareholders are allowed to appoint any person as their proxies to attend, participate, speak and vote in his stead at a general meeting.</p> <p>General meetings are held in the city centre and is accessible by public transport and not in remote location.</p>
	:	<p>The Company will explore the use of technology to allow voting in absentia or remote shareholders' participation. The Company will assess the necessity and viability for such facility taking into consideration the number of shareholders, the reliability of the technology and cost-benefit to the Company, before adopting this practice.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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.

Not applicable to the Company.
