

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0117
COMPANY NAME : SMRT Holdings 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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board of SMRT Holdings Berhad (%SMRT+ or %Company+) is committed to reveal high standards of corporate governance. In achieving its role as stewards of the Company and its subsidiaries (collectively referred to as %Group+), the Board is dedicated to discharge its duties with care and diligence. The Board has overall responsibilities for the business direction and overseeing the conduct of business, review and adopt strategic plan and succession planning. The Board also acknowledges the responsibility and regularly reviews the adequacy and the integrity of the Group's internal control system and management information systems to ensure compliance with the applicable laws, regulations, rules, directives and guidelines. The Board has delegated specific responsibilities to three (3) main committees namely the Audit and Risk Management Committee (%RMC+), Remuneration Committee and Nomination Committee, which are guided by the respective Terms of Reference approved by the Board. The ultimate responsibility for the final decisions on all matters lies with the Board.</p> <p>The Chief Executive Officer (%CEO+), Dr Amat Taap @ Amat Jais Bin Manshor who is not a Director of the Company is responsible for the day-to-day management of the business and operations of the Group. He is supported by a management team and other committees established under the Group's management framework. The management's performance under the leadership of the CEO is monitored by the Board through a status report which is tabled to the Board and includes a comprehensive summary of the Group's operating drivers and financial performance during each reporting period. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance. The relevant members of the management were in attendance at Board meetings to support the CEO in presenting the updates on the progress of key initiatives, business targets and achievements to date, and to provide clarification on the queries and issues raised by the Board.</p>

The Board oversees the risk management of the Group through the ARMC. The ARMC advises the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation. The ARMC assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group. The ARMC reviews the internal controls of the Group to ensure, as far as possible, the protection of its assets and its shareholders' investment.

The ARMC has been entrusted by the Board to ensure the Group's financial and non-financial reporting present a true and fair view of its state of affairs. The ARMC meets regularly to review the unaudited financial results and ensures the management prepares the results and statements in accordance with the Companies Act 2016, ACE Market Listing Requirements (AMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), applicable accounting standards and other relevant regulatory requirements.

The Board acknowledges its overall responsibility in maintaining a sound system of internal control to safeguard shareholders' investments and the assets of the Group and for reviewing the adequacy and integrity of the system. Notwithstanding this, due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage risks within tolerable and knowledgeable limits, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Details of the Group's internal controls and risk management measures are set out in its Statement on Risk Management and Internal Control in the Company's 2018 Annual Report.

The Board seeks to ensure that the members of the Senior Management team are qualified, professional and have sufficient calibre to collectively lead the operations of the Group. The Board takes cognisance that the orderly succession of Senior Management is important to ensure readiness of internal candidates to fill potential positions. In this respect, the Group recognises talent development programmes should be put in place to provide opportunities for employees to improve their capabilities and leadership skills.

The Board is responsible to ensure continuing education or training for the Directors to keep abreast of relevant changes in laws and regulations and the development of the industry. The Directors will continue to undergo relevant training programmes to enhance their skills and knowledge. During the financial year ended 31 December 2018, the Directors attended the following training :

Name of Directors	Courses
Tan Sri Datoq Dr Palaniappan A/L Ramanathan Chettiar (Tan	<ul style="list-style-type: none"> • The Asia HRD Congress 2018 - Happiness at Work Summit • Advocacy Programme on CG Assessment Using the Revised Asean CG Scorecard

Sri DatoqDr R Palan†	<p>Methodology (half day)</p> <ul style="list-style-type: none"> • LSE Events Bank Negara • 2019 Budget: What you need to know by Tony Pua • Education Social Dialogue
Datoq(Dr) Asariah Binti Mior Shaharuddin	<ul style="list-style-type: none"> • The Development of the Human Potential in the Creation of an Ideal Malaysian Identity • The Asia HRD Congress 2018 - Happiness at Work Summit • A Talk in conjunction Majlis Penyampaian Watakah Lantikan Ahli Jawatan Kuasa Aduan SPRM
Mr Leow Nan Chye	<ul style="list-style-type: none"> • An Introduction to Design Thinking
Mr Malayandi @ Kalaiarasu	<ul style="list-style-type: none"> • Seminar . Kesihatan, Pendidikan dan Kewangan • Distinguished Lecture Series • Senior Leadership Development Programme 2018 • Program Memperkasakan Profesionalisma Pengamalan Perubatan Melayu • National Workforce Human Capital Development Blueprint (2018-2025) • Strategic Risk Assessment Workshop • Classical Homeopathy A Healthy and Happy Life Seminar • The Financial Crisis Confronting Private University
Ms Soh Eng Hooi	<ul style="list-style-type: none"> • MIA Forum with Audit Sole Practitioners • Valuation on Mergers and Acquisition • Mandatory Accreditation Programme for Directors of Public Listed Companies • Practical Auditing Methodology for SMPs • Practical Application on the New Malaysia Code on Corporate Governance 2017 (MCCG 2017) • Sustainability Reporting • Modernising ISA 315 - Key Revisions Proposed ISA 315 (Revised), Identifying and Assessing the Risk of Material Misstatement
Mr Maha Ramanathan Palan (†Mr Maha Palan†)	<ul style="list-style-type: none"> • Mandatory Accreditation Programme for Directors of Public Listed Companies
<p>The Board has formalised and adopted a Sustainability Policy which is posted on the Group's website at www.smrhub.com. The Sustainability Policy sets out the manner in which the Group carries on its business</p>	

	<p>which is undertaken in a socially responsible, trustworthy and ethical manner while accepting accountability for impact on environment, social and governance fronts. Key aspects of the policy focus on social awareness and betterment, environmental preservation, and sound and effective corporate governance.</p> <p>The Board is committed in providing effective and timely communication with its stakeholders. The Group uses a number of formal channels for effective dissemination of information to the public, namely the Annual Report, announcements to Bursa Securities and media releases which are posted on the Group's website at www.smrhub.com</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman leads the Board based on his entrepreneurial leadership coupled with his many years of extensive experience in the operations of the Group. As one of the pioneer members of the Group, the Chairman is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group and at the same time be guided by independent advice and views from the independent Directors, who offer the necessary checks and balances in the decision making process of the Board. In turn, the Board monitors the functions of the Board Committees in accordance with their respective Terms of Reference to ensure its own effectiveness.</p> <p>The Chairman with the assistance of the Company Secretary sets the board agenda for each meeting and the same is circulated to the Board Members accordingly.</p> <p>During Board Meetings, the Chairman leads the discussions, allowing sufficient time for deliberations on key issues and complex matters. He also encourages active participation and allows views including dissent to be freely expressed.</p> <p>The Chairman plays a key role in the conduct of the General Meetings. Besides ensuring the proper flow of resolutions tabled at the meeting, he manages the communication on the floor, encourages active participation from shareholders and allows sufficient amount of time during the questions and answers session.</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	:		
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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	:	<p>The position of the Chairman and CEO are held by two different individuals. The Chairman, Tan Sri DatoqDr R Palan leads and manages the Board by focusing on governance, strategy and compliance whereas the CEO, Dr Amat Taap @ Amat Jais Bin Manshor who was appointed on 1 August 2018 manages the business and operations of the Group and implements the decisions of the Board.</p> <p>The separation of position of the Chairman and CEO seeks to facilitate appropriate balance of power and authority, such that no one individual has unfettered decision making powers.</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 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by joint qualified and competent Company Secretaries who provide advice and regularly update the Board on good governance, board policies and procedures, administrative matters and corporate compliances.</p> <p>Both Company Secretaries of the Company are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. Both of them are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretaries also ensure that the Board is kept well informed on any regulatory requirements and update on the developments in the area of corporate governance that affect the duties and responsibilities of the Directors as well as the Company. In this respect, the Company Secretaries have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries.</p> <p>In this respect, the Company Secretaries advise the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations, which include amendments to the Constitution of the Company arising from the Companies Act 2016 effective 31 January 2017 and the amendments to the AMLR that came into effect from 2 January 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	:		
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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>The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman, together with the management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The notice of the Board meetings is circulated to Board members at least 7 days before the meeting and the agenda and Board papers containing necessary information that are accurate, clear and comprehensive are circulated to the Directors a few days before each meeting.</p> <p>The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board minutes, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.</p> <p>The decisions made at the Board meetings are also communicated to the management in a timely manner to ensure appropriate execution.</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 sets out the composition, roles and responsibilities and processes of the Board.</p> <p>The Board Charter, which serves as a strategic guidance and effective oversight of management, is also intended to provide a concise overview of:</p> <ol style="list-style-type: none"> 1. the roles and responsibilities of the Board, the Chairman, individual Directors, the CEO and the management. 2. delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and 3. Board operating procedures and practices pertaining to meetings, training and development, code of conduct and declarations on conflicts of interest. <p>The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives and corporate vision. The Board Charter serves as a primary reference point on governance matters for Directors as well as newly-appointed Directors.</p> <p>The Board Charter is accessible for reference on the Group's website, www.smrhub.com</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 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 Code of Ethics for Directors (Code+) is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:</p> <ol style="list-style-type: none"> 1. To establish a standard of ethical behaviour for Directors based on trustworthiness and values that can be accepted, are held or upheld by any one person. 2. To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a company. <p>The Board reviews the Code periodically or as and when the need arises to ensure it is kept contemporaneous.</p> <p>The Code is available on the Group's website at www.smrhub.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's Whistle Blowing Policy (WBP) fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violation or improper conduct or wrongdoing within the Group.</p> <p>The WBP provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group.</p> <p>With regards to the WBP :</p> <p>(a) The Board is responsible for overseeing the implementation of the WBP for Directors and all whistle blowing reports are addressed to the Senior Independent Non-Executive Director of the Company.</p> <p>(b) The ARMC is responsible for overseeing the implementation of the WBP for the Group's employees. The Senior Independent Non-Executive Director is responsible for receiving whistle blowing reports made by employees or external parties as prescribed under the WBP.</p> <p>The Board together with the management, reviews the WBP periodically or as and when the need arises to ensure it is kept contemporaneous.</p> <p>The WBP is available on the Group's website at www.smrhub.com.</p>

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

Intended Outcome

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

Practice 4.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board comprises six (6) Directors i.e. three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Chairman. The Independent Non-Executive Directors satisfy the independence test under the AMLR of Bursa Securities. They constitute 50% of the Board.</p> <p>The members of the Board are as follows :</p> <ol style="list-style-type: none">1) Tan Sri DatoqDr R Palan . Executive Chairman2) Mr Malayandi @ Kalaiarasu . Non-Independent Non-Executive Director (Redesignated on 23 July 2018)3) Mr Leow Nan Chye . Senior Independent Non-Executive Director4) Datoq (Dr) Asariah Binti Mior Shaharuddin . Independent Non-Executive Director5) Ms Soh Eng Hooi . Independent Non-Executive Director6) Mr Maha Palan . Non-Independent Non-Executive Director (Appointed on 23 July 2018) <p>The Independent Non-Executive Directors play a crucial role in the exercise of independent assessment and objective participation in Board deliberations and decision-making process and provide effective checks and balances in the functioning of the Board. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which would interfere with the exercise of their independent judgment.</p> <p>In addition, the presence of the Senior Independent Non-Executive Director, Mr Leow Nan Chye 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 Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</p>

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

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders approval through a two-tier voting process.

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>Mr Leow Nan Chye has served the Board for fourteen (14) years since his appointment as Independent Non-Executive Director of the Company on 5 October 2005. Since 2015, the Company has sought annual shareholders approval at the Annual General Meeting (AGM) for him to continue to serve as Independent Non-Executive Director on the Board. The last shareholders approval was obtained at the last AGM held on 31 May 2018.</p> <p>If the Board continues to retain independent directors after twelve (12) years pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, the Board should provide justification and seek annual shareholders approval through a two-tier voting process.</p> <p>The Nomination Committee had assessed the independence of Mr Leow Nan Chye and recommended to the Board that he be retained as Independent Non-Executive Director of the Company based on his ability to maintain independent judgement and to express unbiased views without any influence. He is familiar with the Group's business operations, has devoted time and commitment and has exercised due care in discharging his duties and responsibilities as Independent Non-Executive Director. He has fulfilled the criteria under the definition of Independent Director as defined in the Listing Requirements of Bursa Securities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Company has adopted a policy in its Board Charter which limits the tenure of its Independent Director to nine (9) years. The Board will seek the continuity of an Independent Director exceeding this tenure by making recommendation to and seeking approval of the shareholders in the AGM.</p> <p>The policy on tenure of Independent Directors can be accessed at the Group's website at www.smrhub.com</p>

Intended Outcome

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

Practice 4.4

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

Application	: Applied
Explanation on application of the practice	<p>The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of the management within the Group.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new Board appointments and make the necessary recommendations. In making its recommendations to the Board, the Nomination Committee considers and assess the suitability of a new appointment 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; and~ Time commitment to the Company. <p>During the financial year ended 31 December 2018, Mr Maha Palan was proposed to the Nomination Committee as a potential candidate for Directorship by an Executive Director of the Company. The Nomination Committee met, and upon deliberation agreed to recommend to the Board on the appointment of the new candidate, Mr Maha Palan, based on the set of criteria mentioned above. The appointment of Mr Maha Palan as Non-Independent Non-Executive Director of the Company took effect on 23 July 2018. Mr Maha Palan had on 16 November 2018 applied to Bursa Securities for an extension of time to attend the Mandatory Accreditation Programme (MAP) as he has been overseas since September 2018. Bursa Securities had granted an extension of time from 23 November 2018 up to 30 November 2018 for Mr Maha Palan to attend the next MAP. Mr Maha Palan had on 29 November 2018 and 30 November 2018 attended the MAP.</p> <p>Taking cognisance of the values of human capital and talent management in the growth and sustainability of the Group, the Executive Director is responsible for the identification and development of the key Senior Management, as well as to review the succession planning for key management team from time to time. The Executive Director shall search for suitable</p>

	<p>candidates through established channels such as public advertisement or direct approaches being made to individuals who may be suitable or through organisations that may be able to assist in the recruitment process. In selecting the appropriate candidates, the Executive Director takes into account the candidates' qualification, experience, competence and character. Newly appointed key Senior Management will have to undergo induction and/or any other programs in the manner as stipulated in the Group's Human Resource Manual.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board acknowledges the call by the Government and the Malaysian Code on Corporate Governance (MCCG) for boards to have gender diversity and the boards of Large Companies to comprise at least 30% women on board.</p> <p>At present, the Company has four (4) male Directors and two (2) female Directors which represents 33% women on board. The Board is mindful that any gender representation should be in the best interest of the Company.</p> <p>The Company does not have a formalised Board gender diversity policy alongside targets and measures. However, the issue of diversity is discussed and given prominence during deliberations by the Nomination Committee and the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>Appointments of new Directors are undertaken by the Board as a whole after considering the recommendations of the Nomination Committee.</p> <p>In searching for suitable candidates, the Nomination Committee may receive suggestions from existing Board Members, the management and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>During the financial year ended 31 December 2018, the referral of Mr Maha Palan as a potential candidate for Directorship was by an Executive Director of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee comprises not less than three (3) members. All the members shall be Non-Executive Directors, the majority of whom are independent.</p> <p>The members of the Nomination Committee are outlined below :</p> <ol style="list-style-type: none">1) Datoq(Dr) Asariah Binti Mior Shaharuddin - Chairman2) Mr Leow Nan Chye . Member3) Ms Soh Eng Hooi . Member <p>The Nomination Committee is chaired by Datoq(Dr) Asariah Binti Mior Shaharuddin, an Independent Non-Executive Director.</p> <p>The Terms of Reference of Nomination Committee are accessible for reference on the Group's website at www.smrhub.com</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 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 Committee is responsible for the Board evaluation process covering the Board, the Board Committees and individual Directors (including Independent Directors).</p> <p>The evaluation for the year 2018 was conducted internally. Each Director completed the Performance Evaluation Sheet for Individual Director (Self / Peer Evaluation) which covered matters relevant to the Directors' performance, among other things, contribution to interaction, quality of input, understanding of role and Board Chairman's role. An evaluation of the Board and Board Committee was done by assessing the Board's structure, Board operations, Board roles and responsibilities, Board Chairman's role and responsibilities as well as the performance of the Board Committees against their respective Terms of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.</p> <p>The Nomination Committee, upon conclusion of the evaluation exercise, was satisfied that the Board and its Board Committees composition had fulfilled the criteria required, possess a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and robust decision-making process. Independent Directors were assessed to be objective in exercising their judgment.</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	:	
Explanation for departure	:	<p>During the financial year ended 31 December 2018, the Company had put in place a formalised remuneration policies and procedures for Directors and Senior Management with a view to ensure the Company offers fair compensation and is able to attract and retain talent who can add value to the Company.</p> <p>The fees of the Non-Executive Directors and any benefits payable to the Non-Executive Directors shall from time to time be determined by the Remuneration Committee and are tabled at the Company's AGM for shareholders approval.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has in a place a Remuneration Committee which comprises wholly of Non-Executive Directors. It shall consist of not less than three (3) members.</p> <p>The members of the Remuneration Committee are outlined below :</p> <ol style="list-style-type: none"> 1) Datoq(Dr) Asariah Binti Mior Shaharuddin - Chairman 2) Mr Leow Nan Chye . Member 3) Ms Soh Eng Hooi . Member <p>The Remuneration Committee is chaired by Datoq(Dr) Asariah Binti Mior Shaharuddin, an Independent Non-Executive Director.</p> <p>The responsibilities of the Remuneration Committee include reviewing the remuneration packages, reward structure and fringe benefits applicable to Board and Senior Management and making the appropriate recommendations to the Board.</p> <p>The Terms of Reference of Remuneration Committee are accessible for reference on the Group's website at www.smrhub.com</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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 :	<p>The Board aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Group successfully, taking into consideration all relevant factors including the functions, workloads and responsibilities involved. The level of remuneration for the CEO and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian listed issuers.</p> <p>The remuneration of Non-Executive Directors is approved by shareholders at the AGM of the Company, as prescribed by the Company's Constitution and the Companies Act 2016.</p> <p>The details of the Directors' remuneration for the financial year ended 31 December 2018 for Company and Group level were as follows :</p> <p><u>COMPANY :</u></p> <p>(a) Non-Executive Directors (RM'000)</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name</th> <th>Directors' Fee</th> <th>Meeting Allowance</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr Leow Nan Chye (Senior Independent Non-Executive Director)</td> <td>48</td> <td>10</td> <td>58</td> </tr> <tr> <td>2.</td> <td>Datoq(Dr) Asariah Binti Mior Shaharuddin (Independent Non-Executive Director)</td> <td>48</td> <td>9</td> <td>57</td> </tr> <tr> <td>3.</td> <td>Ms Soh Eng Hooi (Independent Non-Executive Director)</td> <td>36</td> <td>8</td> <td>44</td> </tr> <tr> <td>4.</td> <td>Mr Malayandi @ Kalaiarasu (Non-Independent Non-Executive Director) (Redesignated on 23 July 2018)</td> <td>21</td> <td>3</td> <td>24</td> </tr> <tr> <td>5.</td> <td>Mr Maha Palan (Non-Independent Non-Executive Director) (Appointed on 23 July 2018)</td> <td>16</td> <td>3</td> <td>19</td> </tr> </tbody> </table>	No.	Name	Directors' Fee	Meeting Allowance	Total	1.	Mr Leow Nan Chye (Senior Independent Non-Executive Director)	48	10	58	2.	Datoq(Dr) Asariah Binti Mior Shaharuddin (Independent Non-Executive Director)	48	9	57	3.	Ms Soh Eng Hooi (Independent Non-Executive Director)	36	8	44	4.	Mr Malayandi @ Kalaiarasu (Non-Independent Non-Executive Director) (Redesignated on 23 July 2018)	21	3	24	5.	Mr Maha Palan (Non-Independent Non-Executive Director) (Appointed on 23 July 2018)	16	3	19
No.	Name	Directors' Fee	Meeting Allowance	Total																											
1.	Mr Leow Nan Chye (Senior Independent Non-Executive Director)	48	10	58																											
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5.	Mr Maha Palan (Non-Independent Non-Executive Director) (Appointed on 23 July 2018)	16	3	19																											

(b) Executive Chairman/Executive Director (RM'000)

No.	Name	Salary & Allowance	Employee Provident Fund & Socso	Meeting Allowance	Total
1.	Tan Sri DatoqDr R Palan (Executive Chairman)	767	93	17	877
2.	Mr Malayandi @ Kalaiarasu (Non-Independent Non-Executive Director) (Redesignated on 23 July 2018)	22	3	2	27

GROUP :**(a) Non-Executive Directors (RM'000)**

No.	Name	Directors' Fee	Allowance	Total
1.	Mr Leow Nan Chye (Senior Independent Non-Executive Director)	48	10	58
2.	Datoq(Dr) Asariah Binti Mior Shaharuddin (Independent Non-Executive Director)	48	9	57
3.	Ms Soh Eng Hooi (Independent Non-Executive Director) (Appointed on 27 November 2017)	36	8	44
4.	Mr Malayandi @ Kalaiarasu (Non-Independent Non-Executive Director) (Redesignated on 23 July 2018)	21	3	24
5.	Mr Maha Palan (Non-Independent Non-Executive Director) (Appointed on 23 July 2018)	16	3	19

(b) Executive Chairman/Executive Director (RM'000)

No.	Name	Salary & Allowance	Employee Provident Fund & Socso	Meeting Allowance	Total
1.	Tan Sri DatoqDr R Palan (Executive Chairman)	2,005	242	17	2,264
2.	Mr Malayandi @ Kalaiarasu (Non-Independent Non-Executive Director) (Redesignated on 23 July 2018)	200	26	2	228

Explanation :
for
departure

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

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	:	<p>At this juncture, the Board is of the opinion that the disclosure of the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) in bands of RM50,000 would not be in the best interest of the Group for purposes of confidentiality, including reasons pertaining to human relations.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. No excessive remuneration has been paid to Senior Management personnel in any instance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The Board of Directors has established an ARMC which is chaired by the Senior Independent Non-Executive Director, Mr Leow Nan Chye. Meanwhile the Chairman of the Board is Tan Sri DatoqDr R Palan.</p> <p>As such, the Chairman of the ARMC is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the ARMC assumed by different individuals allows the Board to objectively review the ARMC's findings and recommendations.</p> <p>The Chairman of the ARMC is a fellow member of the Institute of Chartered Accountants of England and Wales and a Chartered Accountant with the Malaysian Institute of Accountants (MIA). The possession of sound financial understanding and experience equips the Chairman of the ARMC with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the ARMC. His full profile can be viewed in the Company's 2018 Annual Report.</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 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors.</p> <p>The members of the ARMC are outlined below :</p> <ol style="list-style-type: none"> 1) Mr Leow Nan Chye . Chairman 2) Datoq(Dr) Asariah Binti Mior Shaharuddin - Member 3) Ms Soh Eng Hooi . Member <p>At present, none of the ARMC members are former key audit partners of the Company's external auditors. As a measure to safeguard the independence and objectivity of the audit process, the ARMC has incorporated a policy specification that governs the appointment of a former key audit partner to the ARMC.</p> <p>The policy, which is codified in the ARMC's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a Committee member.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditors.</p> <p>The Board has a formal and transparent relationship with the external auditors. During the financial year, the ARMC met with the external auditors namely, Baker Tilly Monteiro Heng twice in the absence of the executive directors and the management.</p> <p>The ARMC was satisfied with the suitability of the external auditors based on the quality of services and sufficiency of resources provided by them to the Group in terms of the firm and the professional staff assigned to the audit. In support of the assessment on independence, the external auditors provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. In view of the above, the ARMC recommends to the Board the re-appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board.</p> <p>The Terms of Reference of ARMC is accessible for reference on the Group's website at www.smrhub.com</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	:		
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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	:	A Non-Executive Director of the Company who satisfies the independence test under the AMLR of Bursa Securities is an Independent Director. The ARMC comprises wholly 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board reviews the terms of office of the ARMC members and assesses the performance of the ARMC and its members through an annual Board Committee effectiveness evaluation. The ARMC members are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation during deliberations. The Chairman and members of the ARMC are financially literate, and have carried out their duties in accordance with the Terms of Reference of the ARMC.</p> <p>The ARMC possesses a wide range of necessary skills to discharge its duties. All members of the ARMC are financially literate, whilst the Chairman of the ARMC is a member of MIA, and thus, fulfilling Rule 15.09(1)(c) of the AMLR of Bursa Securities, which calls for one member of the audit committee to be a member of a professional accountancy body. All members of the ARMC have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the Chairman and the Members of the ARMC had attended various training programmes to keep abreast of relevant industry developments including accounting and auditing standards and business practices.</p> <p>Based on the outcome of the ARMC effectiveness evaluation 2018, the Board is satisfied with the ARMC's performance as its Chairman and members possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the ARMC.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.</p> <p>To discharge these responsibilities, the Board is assisted by the ARMC in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the management.</p> <p>The Board is supported by the management in developing, implementing and monitoring sound practices for identifying and managing strategic, financial and operational risks and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within 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 9.2

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 Board is responsible to ensure that appropriate risk management and internal control systems are in place throughout the Group. The risk management process is executed by the Senior Management and the Executive Director. To facilitate effective monitoring, the Board regularly receives reports from the management on any business risks related to its business activities that have impacted or likely to impact the Company from achieving of its objectives and strategies.</p> <p>The Group had outsourced its internal audit function to an independent consulting firm as part of its strategy to assure the Board on its adequacy and effectiveness of the internal control system of the Group. The professional firm will carry out internal audits to review the adequacy and effectiveness of the internal control system and to identify area of risks and report their findings and recommendations to the management and subsequently to the ARMC.</p> <p>The Statement on Risk Management and Internal Control is set out in the Company's 2018 Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board had on 11 April 2017 resolved to have the risk management of the Company to be under the purview of the Audit Committee in view of the Company's current low risk exposure. The Audit Committee was then renamed as Audit and Risk Management Committee (ARMC).</p> <p>The ARMC assumes the role in overseeing the risk management functions and internal controls of the Group in addition to overseeing the integrity of the financial statements and compliance with relevant accounting standards.</p> <p>The ARMC comprises the following Independent Non-Executive Directors :</p> <ol style="list-style-type: none">1) Mr Leow Nan Chye . Chairman2) Datoq(Dr) Asariah Binti Mior Shahrudin - Member3) Ms Soh Eng Hooi . Member

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>During the year under review, the Group had outsourced its internal audit function to an independent consulting firm to assist the ARMC in discharging its duties and responsibilities.</p> <p>The internal auditor reports directly to the ARMC and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and governance processes within the Group. The internal auditor adopts a risk-based approach in planning and conducting of audit.</p> <p>The scope and plan of internal audit activities are identified annually and approved by the ARMC. The ARMC receives reports of the findings of the internal audit with comments from the management and the internal auditors' recommendations. The ARMC reviews the findings with the management to ensure that the necessary corrective actions are implemented and reported to the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose.

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is currently outsourced to Sterling Business Alignment Consulting Sdn Bhd (Sterling), an independent consulting firm to take charge of the Group's internal audit function during the financial year ended 31 December 2018. Sterling is free from any relationship or conflict of interest, which could impair their objectivity and independence.</p> <p>The number of audit staff deployed for each internal audit review ranges from 3 to 4 Internal Auditors per visit.</p> <p>Sterling is a corporate member of The Institute of Internal Auditors Malaysia (IAM). Different lead Internal Auditor is assigned to conduct each Internal Audit Review, depending on the scope of the review.</p> <p>The Internal Auditors use the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control . Integrated Framework as a basis for evaluating the effectiveness of the internal control systems.</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 Directors are accountable to shareholders as well as other stakeholders of the Company for the performance and operations of the Group. As such, the Board endeavours to ensure that communication with stakeholders is conducted in a regular and forthcoming manner.</p> <p>The Board aims to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core business and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Securities, media releases, quarterly results, AGM and the Group website.</p> <p>The Company is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, the Chairman will have a question and answer session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions. All the Board members and Senior Management of the Company are also present to handle other face-to-face enquires from the shareholders.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.	
		The current Annual Report provides stakeholders with a fairly comprehensive overview on the Group's financial and non-financial information including future prospects. Components such as Management and Discussion Analysis, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the AGM as an invaluable platform for shareholders to engage both the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall performance of the Group. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders.</p> <p>In this regard, the notice for the upcoming AGM in 2019 will be provided to the shareholders on 30 April 2019, at least 28 days before the meeting, which will be held on 28 June 2019.</p> <p>The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information, where applicable to give clarity on the matters that will be decided at the AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors have attended the previous AGMs. All general meetings are scheduled in advance to ensure full attendance of the Board.</p> <p>The Chairman of the Board encourages shareholders' active participation during AGMs and other general meetings by giving sufficient time to the floor during the question and answer session.</p> <p>The Chairman of the respective Board Committees are present to facilitate discussions and address questions shareholders may have on matters that fall under the purview of the respective Committees.</p> <p>The Senior Management are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification on conduct of the audit and content of the audit report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Fourteenth AGM was held at Cyberjaya University College of Medical Sciences (CUCMS) in Cyberjaya, Selangor Darul Ehsan. This venue was easily accessible as it was familiar to most shareholders of the Company since several past AGMs were held at the same venue. The forthcoming AGM on 28 June 2019 will be held at the new CUCMS campus located in Cyberjaya too.</p> <p>A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at the AGM is by poll and the polling process was conducted by way of a manual polling.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

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