

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7246
COMPANY NAME : SIGNATURE INTERNATIONAL BERHAD
FINANCIAL YEAR : June 30, 2019

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 is responsible for the leadership, oversight, control, development and long-term success of the Group. It is also responsible for instilling the appropriate culture, values and behaviour throughout the Group. The roles and responsibilities of the Board are set out in the Board Charter.</p> <p>The Board has delegated some of its responsibilities to the Committees of the Board, namely Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). The roles and responsibilities of Board Committees in discharging their functions delegated by the Board are set out in their respective Terms of Reference.</p> <p>The Board Charter and the Terms of Reference of the Board Committees are available on the Company's website at www.signatureinternational.com.my</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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 Board is led by Datuk Seri Dr. Mohd Shafei Bin Abdullah, an experienced Independent Non-Executive Chairman who is responsible in instilling good corporate governance practices, leadership and effectiveness of the Board.</p> <p>The roles and responsibilities of the Chairman of the Board, amongst others, include:</p> <ul style="list-style-type: none"> a) provide leadership for the Board so that the Board can perform its responsibilities effectively; b) lead the Board in establishing and monitoring good corporate governance practices in the Group; c) lead board meetings and discussions; d) manage the interface between Board and Management; e) ensure appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; f) set the board agenda and ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis; and g) encourage active participation and allow dissenting views to be freely expressed. <p>The detailed roles and responsibilities of the Chairman are set out in the Board Charter.</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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of clear division of responsibility between the Chairman and the Group Managing Director to ensure a balance of power and authority. The positions of Chairman and the Group Managing Director are held by different persons and their respective roles and responsibilities are clearly defined in the Board Charter.</p> <p>The position of Independent Non-Executive Chairman is currently held by Datuk Seri Dr. Mohd Shafei Bin Abdullah who is responsible for orderly conduct and function of the Board while the position of Group Managing Director is held by Mr Tan Kee Choong who is responsible for overseeing the day-to-day operations 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

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 has engaged external qualified company secretaries from Tricor Corporate Services Sdn. Bhd. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required and have attended training/seminars conducted by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and other regulatory bodies to keep abreast on the changes to regulations and requirements.</p> <p>The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and update the Board on the same at Board meetings. The Company Secretaries also notified the Directors and Principal Officers on the closed period for trading in the Company's securities, in accordance with Chapter 14 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").</p> <p>The Company Secretaries play an important role in the annual general and extraordinary general meetings in ensuring that the due processes and proceedings are in place and properly managed. During the meeting, the Company Secretaries will assist the Chairman and the Board in the conduct of the meetings and ensure the minutes are properly recorded, particularly questions and issues raised by the shareholders.</p> <p>In addition, the Company Secretaries also ensure that deliberations at Board and Board Committee meetings are well captured, minuted and documented.</p> <p>The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, corporate governance and legislations.</p> <p>The Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.</p> <p>The roles and responsibilities of the Company Secretary is clearly set out in the Board Charter.</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>The Board is conscious of the importance of meeting materials to be disseminated in a timely manner to allow Directors to decipher the information presented and prepare for the Board and Board Committee meetings.</p> <p>The Board, led by the Chairman, has put in place a policy stipulation which calls for all Directors to have full and timely access to information and the Board papers circulated at least seven (7) days prior to each Board and Board Committee meetings. In most occasions, meeting materials are provided 5 business days in advance of the Board meeting. Comprehensive reports comprising a balance of financial and non-financial information, strategic, operational, regulatory, marketing and human resource issues are customarily enclosed as accompanying materials. The Company Secretaries are responsible to manage the record keeping as well as facilitating all Board and Board Committees communication.</p> <p>Board and Board Committee meetings proceedings are well-documented by the Company Secretaries. The minutes reflects key deliberations and decisions, rationale for each decisions as well as any significant concerns, dissenting views or abstentions by Directors from voting and deliberating on specific matters. Meeting minutes are confirmed at the subsequent Board or Board Committee meeting and signed by the Chairman of the Board or Board Committees 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

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 is in place and is periodically reviewed and updated by the Board in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.</p> <p>The Board Charter is available on the Company's website at www.signatureinternational.com.my which has been incorporated into the Group's governance system, documented policies that the Board has decided upon to meet, amongst others, its responsibilities, governance and leadership as a description tool of how the Board operates. The Terms of Reference of the ARMC, NC and RC are also available on the Company's website. The Board Charter and the Terms of Reference of the Board Committees were last reviewed by the Board on 26 September 2019.</p> <p>There is a formal schedule of matters reserved to the Board for consideration and decision which is set out in the Board Charter and Schedule of Matters Reserved Document.</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>To strengthen the standards of corporate governance and corporate behaviour, the Board has formalised a Code of Ethics and Code of Conduct ("the Codes"). The Codes set out the standards which the Directors, officers and employees (together "Personnel") of the Company and its subsidiaries are expected to comply in relation to the affairs of the Company's businesses when dealing with each other, shareholders and the broader community.</p> <p>The Board is required to observe compliance of the Codes as well as the Board Charter and high standard of corporate governance at all times. The Board members are required to declare any personal, professional or business interest that may conflict with director's responsibilities.</p> <p>This Codes are intended to focus on the Board and Management on areas of ethical risk, provide guidance to Personnel to help them to recognise and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability.</p> <p>The Codes includes, inter alia, matters relating to conflicts of interest, proper use of the Company's assets and properties as well as knowledge and information on prohibited activities or misconduct involving gifts, gratuities, bribes and corruption, insider trading and money laundering.</p> <p>The Codes were last reviewed by the Board on 26 September 2019 and are available on the Company's website at www.signatureinternational.com.my.</p>
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

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 Board has formalised a Whistle-Blower Policy (“WBP”) that is applicable to all employees of the Group. The Company’s WBP promotes an environment of integrity and ethical behaviour within the Group and ensure that there is a structured channel where genuine concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices can be objectively investigated and addressed.</p> <p>The WBP is accessible through the Company’s website at www.signatureinternational.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

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 of independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board comprised of 5 members with 3 out of 5 (60%) board members is Independent Non-Executive Directors. The composition of directors has the appropriate mix of relevant skills, knowledge and industry experience required to lead and oversee the Group. The presence of majority Independent Directors allow Board's deliberations and decisions to be made objectively in the best interest of the Company.</p> <p>An annual assessment of independence of the Independent Directors has been conducted on annual basis. Based on the evaluation results, the Board was satisfied that each Independent Director has fulfilled the independence criteria set out in the Main Market Listing Requirements of Bursa Securities and they will continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgement to decisions taken by 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

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 - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	<p>Currently, there are two (2) Independent Non-Executive Directors (“INEDs”) of the Company who have served as INEDs for a cumulative term of more than nine (9) years as of to-date namely, Mr Wong Maw Chuan and Mr Yap Khong.</p> <p>Following the annual assessment by the NC, the Board had recommended for the retention of Mr Wong Maw Chuan and Mr Yap Khong to continue to act as INEDs of the Company subject to shareholders’ approval at the forthcoming Annual General Meeting.</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	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In recommending the appointment of Directors and Senior Management, the NC considers the merit and talent to ensure top business growth and performance. The salient attributes such as mix of skills and experience, strengths, expected contribution, independence (where applicable) and the multiple facets of diversity were also taken into consideration to ensure a balanced mix of talents on the Board and Senior Management level.</p> <p>The Board, alongside the NC, undertakes periodic reviews of the composition of the Board and Senior Management to ensure that they remain diverse.</p> <p>The current composition of the Board includes a diverse mix of skill sets, knowledge and experience (comprising accounting, legal, finance, business and management) and age (ranging between 35-75).</p> <p>The appointment of Senior Management personnel is also based on pre-determined criteria that include skill sets and leadership qualities, driven by their respective job descriptions.</p> <p>The Board also strives to ensure that there is no discrimination on age, gender, ethnicity and cultural background when deciding candidates on the composition of the Board and Senior Management team.</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 recognises the challenges in achieving the right balance of diversity in the Company. This will be done over time, taking into account the present size, the valuable knowledge and experience of the present Senior Management and the evolving challenges to the Company over time.</p> <p>The Board took cognisance of the recommendation of the Malaysian Code on Corporate Governance which stipulate a goal for women participation to reach 30% for large company and continuously considering suitable women candidates to be appointed with the intention to further diversify the composition of the Board.</p>	
		<p>The Company had adopted the Diversity Policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board of Directors and Senior Management positions.</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>The Board composition has not changed since October 2013 but has in place the criteria for identifying and evaluating suitable candidates for appointment to the Board as provided in the Terms of Reference of NC.</p> <p>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 variety of independent sources to identify suitably qualified candidates.</p> <p>In evaluating the suitability of candidates, the NC will review their profile and curriculum vitae and considers, inter-alia, the competency, character, commitment (including time commitment), contribution and experience of the candidates in meeting the needs of the Company. In regards to the candidates for appointment as Independent Director, the NC would assess the candidate’s suitability based on the criteria on independence as set out in the Main Market 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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The NC is chaired by Mr Yap Khong, a Senior Independent Non-Executive Director.</p> <p>The Board recognises the need for Chairman of NC to be independent to ensure objectivity and independent judgement during deliberations.</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 NC conducted internally facilitated Board assessment via questionnaires on yearly basis. Each Director is required to complete a set of questionnaires and the aggregate responses were tabled to and reviewed by the NC. The NC will subsequently table the outcome to the Board for consideration and action.</p> <p>During the year under review, the NC, facilitated by the Company Secretaries, had conducted a formal and objective internal annual assessment of the Board, Board Committees, individual Directors and level of independence of Independent Directors. Based on the recent assessment, the NC concluded that the Board and its Committees have the right balance, size and composition in terms of mix of skills, knowledge, experience and professional background and the Directors (individually and collectively) have discharged their respective roles and responsibilities in a conscientious manner.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges that remuneration is a key ingredient in attracting, retaining and motivating talented and high-calibre individuals that can successfully run and manage the business. In this regard, the Board has adopted a Directors and Senior Management’s Remuneration Policy in June 2018.</p> <p>In setting the remuneration of directors, the Board is guided by the Directors and Senior Management’s Remuneration Policy. The Executive Directors shall not participate in decisions regarding their individual remuneration.</p> <p>The remuneration of Non-Executive Directors is determined by the Board as a whole. The remuneration package for Executive Directors has been structured to link rewards to corporate and individual performance while Non-Executive Directors’ remuneration reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors.</p> <p>The Directors and Senior Management’s Remuneration Policy and accompanying procedures are disclosed on the Company’s website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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 a RC which comprises wholly of Non-Executives Director. The Terms of Reference of the RC sets out the roles and responsibilities of the RC in relation to remuneration matters was last reviewed in September 2019 and is available on the Company's website www.signatureinternational.com.my.</p> <p>The Board is satisfied that the RC had discharged its duties and responsibilities with respect to Directors' remuneration including reviews of the remuneration package for the Executive Directors 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

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 details of the remuneration of Directors (both the Company and the Group) during the financial year ended 30 June 2019 are disclosed in Corporate Governance Overview Statement of the Annual Report 2019.	
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 remuneration of the top five (5) Senior Management is not disclosed on named basis in the bands of RM50,000 for confidentiality reason as it may be detrimental to the interest of the Company and individuals.	
		The remuneration of the key management of the Company and in Group basis is set out in the Audited Financial Statements for the financial year ended 30 June 2019 on Note 39.	
<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 Chairman of the ARMC is Mr Wong Maw Chuan. Having the positions of Board Chairman and Chairman of the ARMC assumed by different individuals, it allows the Board to objectively review the ARMC's findings and recommendations.</p> <p>Mr Wong Maw Chuan is a member of the Malaysian Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants (FCCA) as well as a Certified Financial Planner (CFP).</p> <p>Mr Wong's full profile can be found in Directors' Profile of the Annual Report 2019.</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 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	None of the members of the ARMC were former key audit partners. The Terms of Reference of ARMC stipulate that a former key audit partner is required to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC. The Terms of Reference of the ARMC is available 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

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 also recommend to the Board on their appointment, re-appointment or termination of their services to the Company.</p> <p>In safeguarding and supporting external auditors' independence and objectivity, the Company has formalised an External Auditors' Assessment Policy outlined the selection process of new external auditors, criteria for the annual assessment on the performance of external auditors, basic principles on the prohibition of non-audit services and the approval process for the provision of non-audit services.</p> <p>The ARMC had assessed and was satisfied with the competence, audit quality, resource capacity of the external auditors, Crowe Malaysia PLT in relation to the audit services provided. From the assessment, the ARMC is also satisfied that there was no threat to the objectivity and independence of the audit arising from the provision of non-audit services by the external auditors and the total fee incurred for non-audit services is not significant.</p> <p>Based on the assessment results, the ARMC has recommended to the Board for the shareholders' approval to be sought on the re-appointment of the external auditors at the forthcoming 13th Annual General Meeting.</p> <p>The Terms of Reference of the ARMC was last reviewed in September 2019 and is available on the Company's website.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

Measure :		
Timeframe :		

Intended Outcome

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	:	<p>The ARMC comprises wholly of Independent Non-Executive Directors, as follows:</p> <ul style="list-style-type: none">(i) Mr Wong Maw Chuan (Chairman)(ii) Mr Yap Khong (Member)(iii) Dato' Seri Dr. Mohd Shafei Bin Abdullah (Member) <p>As independence is the cornerstone of a well-functioning audit committee, the Board is of the view that the existing composition of the ARMC allows its members to apply professional scepticism, vigilance and moral courage when undertaking their responsibilities on pertinent matters.</p>

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>All members of the ARMC are financially literate and have accounting or related financial management expertise.</p> <p>The ARMC members continuously apply critical and probing view on the Company’s financial reporting process, transactions and other financial information, and effectively challenge management’s assertions on the Company’s financials during the ARMC meeting.</p> <p>The professional development for Directors is an on-going process and the ARMC members have attended training programmes to keep abreast of relevant industry issues, market development and trends including accounting and auditing standards, practices and rules to enable them to sustain their active participation in the functions of the ARMC.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director has diverse professional experience in internal audit, risk management and corporate governance advisory. The internal audit reviews are conducted using a risk based approach and are guided by the International Professional Practice Framework.</p> <p>The findings arising from the internal audit process as well as the recommendations for improvement are presented to Management and ARMC. Any significant finding will be brought to the attention of the ARMC immediately instead of reporting during the ARMC meeting.</p> <p>The Board, as a whole would continue to monitor and review the effectiveness and adequacy of the Group's risk management and risk appetite to ensure they continue to be resilient and reliable.</p> <p>Further details of the risk management and internal control framework can be found in the Statement on Risk Management and Internal Control of the Annual Report 2019.</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 9.2

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 has established a framework to review and manage significant risks to the Group.</p> <p>The Board, assisted by ARMC reviews risk management and internal control issues identified by the internal and external auditors. The ARMC also monitors and assess the risk appetite and risk tolerance of the Group, so as to safeguard the shareholders' investment and the Group's assets.</p> <p>Further information on the Group's risk management and internal control framework is presented in the Statement on Risk Management and Internal Control of the Annual Report 2019.</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 9.3 - 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	:	

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 ARMC of the Company is responsible for monitoring and reviewing the effectiveness of the Group's internal audit function.</p> <p>The Board has outsourced this function to an independent professional service firm, namely Axcelasia Columbus Sdn Bhd who reports directly to the ARMC. The Internal Auditors undertake an independent assessment on the internal control of the Group on a quarterly basis and provide assurance to the ARMC that no material issue or major deficiency has been noted which would pose a high risk to the overall system of internal control under review. Details of the internal audit function is set out in the Statement on Risk Management and Internal Control and ARMC 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

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is Mr Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).</p> <p>The number of staff deployed for the internal audit reviews is ranging from three (3) to four (4) staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.</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 Group recognises the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Group's annual reports, quarterly financial results and through various disclosures via the Group's website as well as the official website of Bursa Securities.</p> <p>The Company's website includes an Investor Relations ("IR") section which is accessible to the public and provides all relevant information on the Company. This IR section enhances relations with the investors by including all announcements made by the Company, share price information, annual reports and corporate governance structure of the Company. All investor relations function is handled by the Company.</p> <p>The Company has in place the Corporate Disclosure Policies & Procedures which provides guidance for disclosure of material information in accordance with the Main Market 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

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

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

Practice 11.2

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

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

Intended Outcome

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 considers the Annual General Meeting (“AGM”) as an invaluable platform for shareholders to engage the Board and Management of the Company in a productive and constructive two-way dialogue. As such, the Board strives to ensure that shareholders are accorded with sufficient time to prepare and accord due consideration to the resolutions that will be discussed and decided upon at the AGM.</p> <p>The Notice convening the 13th AGM scheduled to be held on 2 December 2019 is dated 31 October 2019, giving the shareholders at least 28 days’ notice. In order to achieve the widest possible dissemination, the Company also published the AGM Notice in a nationally circulated newspaper and the Company’s website besides being despatched to shareholders.</p> <p>The notice for the AGM also outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed 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>All Directors attended the 12th AGM held on 3 December 2018. Senior Management, Company Secretaries and External Auditors were also in attendance.</p> <p>Shareholders are encouraged to raise questions before matters on the Agenda are put to a vote. All issues and questions raised pertaining to the Company's financial statements and other items for adoption at the meeting were responded by the Group Managing Director, Chairman of ARMC and Director of Finance.</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	:	Applied
Explanation on application of the practice	:	<p>The Company does not have a large number of shareholders. The Company's AGM has always been held at a location that is central and easily accessible by shareholders and at a convenient time.</p> <p>The 12th AGM was held at Tropicana Golf & Country Resort. This venue was easily accessible and familiar to most shareholders of the Company since several past AGMs were held at the same venue.</p> <p>In addition, shareholders are allowed to appoint proxies to attend, speak and vote in their stead at a general meeting if they are unable to attend in person.</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	:	

**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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