

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5035
COMPANY NAME : KNUSFORD BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of the Company is responsible for the overall corporate governance of Knusford Berhad, including its ethical behaviour, strategic direction, establishing goals for management and monitoring the achievement of these goals with a view to optimising Company performance, maximising shareholder value and safeguarding stakeholders' interests.</p> <p>All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities. The management shall support the Managing Director and the Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.</p> <p>The responsibility for the operation and administration of the Group of Companies is delegated by the Board to the Managing Director and the Chief Executive Officer. All Board members are responsible to the Company for achieving a high level of good corporate governance.</p> <p>The roles and responsibilities of the Board are clearly defined in the Board Charter as follows:</p> <ul style="list-style-type: none">• Promote good corporate governance culture;• Review, challenge and decide on management's proposals and their implementation;• Establish strategic plans that support long-term value creation;• Supervise and assess management performance;

	<ul style="list-style-type: none"> • Put in place sound framework of internal controls and risk management; • Sets risk appetite and appropriate risk management framework that manage financial and non-financial risks; • Ensure management skills and experience and its succession plan; • Establish procedures for effective communication with stakeholders; and • Ensure accurate and timely information to shareholders about performance and make clear disclosures in all public reports and announcements.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The role of Chairman is highlighted in the Board Charter and is available on the Company’s website. The Chairman is primarily responsible for:</p> <ul style="list-style-type: none"> • Leading the Board by instilling good corporate governance practices. Strive to comply with all the principles and recommendations set out in MCCG • Leading the Board in setting the values and standards of the Group. • Maintaining a relationship of trust with and between the Executive and Non-Executive Directors. • Ensuring the provision of accurate, timely and clear information to Directors. • Ensuring effective communication with shareholders and relevant stakeholders. • Arranging evaluation of the performance of the Board, its Committees and individual Directors. • Facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors. • Facilitating the on-going development of all Directors. <p>The Chairman of the Board, DYAM Tunku Ismail Ibni Sultan Ibrahim attended 3 out of 5 Board meetings. His alternate director attended one of the meeting where he did not present. All the board members participated in the meetings ensuring the board achieved its intended outcome of collectively responsible for meeting the objectives and goals of the Company.</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 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Board Charter has outlined and included that the position of Chairman and CEO are held by different individuals to ensure a balance of power and authority which clearly define the roles and responsibilities of the Chairman and the CEO respectively.	
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 has appointed Lim Thiam Wah and Lim Aik Yong as the Company Secretaries, who are Members of Chartered Secretaries Malaysia and have the competence to provide the necessary assistance to the Board.</p> <p>The Company Secretaries are the central source of information and advice to the Board and its Committees on the issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>As stated in Guidance to Practice 1.5 of MCCG, the meeting materials should be circulated at least five business days in advance of the board meeting.</p> <p>During the financial year ended 31 December 2017, the meeting materials in hardcopy were circulated to the Directors at least 5 days in advance. Furthermore, the Directors are provided with the contact details of key management personnel to facilitate direct and independent access to Management. Key management personnel will provide clarification or any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group’s performance, position and prospects.</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 has overall responsibility for the proper conduct of the Company’s business and the Board Charter adopted by the Board clearly sets out the following:</p> <ul style="list-style-type: none"> • the respective roles and responsibilities of the board, board committees, individual directors, independent directors, Chairman, Managing Director and Chief Executive Officer; and • matters that are reserved for the collective decision of the Board. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Board has formulated ethical standards through a code of conduct for the Directors, senior management and all employees and will ensure its compliance. The Code of Conduct includes principles related to conflict of interest, dealings with confidential information, ensuring safety, security and adherence to Company's rules, encouraging the reporting of unlawful or unethical behaviour, as well as dealing with suppliers, customers and third parties. The Code of Conduct is available at 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

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 Whistle Blowing Policy has been established and a summary of the policy is available on the Group and Company’s websites. The policy provides staff well-defined and accessible channels within the Group for reporting possible improprieties. The definition of improper conduct and methods of reporting improper conduct are clearly explained in the policy.</p> <p>For the financial year under review, the Board is unaware of any activities related to whistle blowing and no communication received from the whistleblowing process.</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 Group is led by an effective and experienced Board, comprising nine (9) members, made up of five (5) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director, and two (2) Executive Directors and one (1) Managing Director. The Group also has one (1) Alternate Director.</p> <p>The Board comprises of more than half independent directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	A policy which limits the tenure of its independent directors to 9 years is included in the Board Charter: “The tenure of an independent director should not exceed a cumulative of nine years. Upon completion of the 9 years, an independent director may continue to serve on the Board subject to the director’s re-designation as a non-independent director. Otherwise, the Board must justify and seek shareholders’ approval at the Annual General Meeting in the event it retains the director as an independent director.”

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 Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. This includes the selection of Board members and senior management. In addition, the Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, competency, professionalism, independence, foresight and good judgement to ensure that the Board and management team function effectively and is able to discharge its duties in the best interests of the Group and shareholders.</p> <p>Our management team consists of qualified individuals with diverse experiences, backgrounds and perspectives. Their combined expertise and business experience provides insights and diversity of perspective to lead and face challenges in an increasingly complex and competitive environment.</p> <p>The profile of the Board and management team is set out in their respective profiles in the Annual Report 2017.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board currently does not have a female director. However, the Board strives to get and appoint a female board member. 3 of the top 5 senior management of the Group comprise of women.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board is putting effort to get suitable female candidates who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background to join the Board.	
Timeframe	:	Others	

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 identification of candidates for appointment of directors is guided by the Terms of Reference of the Nomination Committee as follows:</p> <ul style="list-style-type: none"> • Identify, consider and recommend suitable persons for appointment as Directors and members of the Board Committees, relying on sources from existing Board members, Management, major shareholders, independent search firms and other independent sources. • Disclose in the Company’s annual report how candidates for Non-Executive Director positions were sourced including whether such candidates were recommended by the existing Board members, Management or major shareholders and if the selection of candidates was solely based on recommendations made by existing Board members, Management or major shareholders, the Committee should explain why other sources were not used. <p>There was no any new directorship appointed during the financial year ended 31 December 2017.</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 Nomination Committee is chaired by the Senior Independent Non-Executive Director, who leads the Committee, among others;</p> <ul style="list-style-type: none"> • to consider and review the Board’s succession plans; • to consider and review the Senior Management’s succession plans; • to review and recommend to the Board, on Board effectiveness, its present size, structure and composition of the Board as well as the required mix of skills, experience and competency required; • ensuring that the performance of each individual Director is independently assessed; and • to assess and recommend to the Board, the effectiveness of the Board Committees, the present size, structure and composition of the Board Committees as well as the required mix of skills, experience and competencies required.
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 evaluation of the Board is conducted annually, comprising Board Assessment by Individual Directors in relation to their performance and contribution towards meeting the needs of the Company. The assessments include Self and Peer Assessment and an assessment of independence for an Independent Director. The assessment of the Board by an individual Director also include specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board. For Self and Peer Assessment, the assessment criteria include contributions to interaction, role and duties, knowledge and integrity, governance and independence and risk management.</p> <p>The Nomination Committee meets at least once a year and conducts an annual assessment of individual Directors, the effectiveness of the Board as a whole and the Committees of the Board.</p> <p>The presence of the Independent Non-Executive Directors promotes objectivity and they have the competence necessary to advise the Board on its decisions. They provide an effective check and balance to the Board’s decision making process.</p> <p>In respect of the assessment for the financial year ended 31 December 2017, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director have been deemed satisfactory. The Board was also satisfied that the Board composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate. The Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.</p>

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

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The determination of the remuneration of directors and senior management is guided by the Terms of Reference of the Remuneration Committee, which is made available on the Company’s website.</p> <p>The level of remuneration for the Directors and Senior Management is decided by the Remuneration Committee taking into consideration the compensation levels for comparable positions with other similar Malaysian public listed companies.</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 Remuneration Committee assists the Board of Directors in reviewing and making recommendations relating to the remuneration, terms of employment, reward structure and benefits in-kind for Executive Directors, the Managing Director, the Chief Executive Officer and key senior management position of the Group. The authority and duties of the Remuneration Committee has been formalised in the Terms of Reference of the Remuneration Committee.</p> <p>The Terms of Reference for the Remuneration Committee has been uploaded and made available on the Group’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments has been disclosed in the Corporate Governance Overview Statement in the Annual Report 2017.
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	:	Applied	
Explanation on application of the practice	:	The remuneration of the top five senior management on a named basis in bands of RM50,000 has been made in the Corporate Governance Overview Statement in the Annual Report 2017.	
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 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations.

The company’s financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Audit and Risk Management Committee (“ARMC”) is chaired by an Independent Non-Executive Director, who is distinct from the Chairman of the Board. The Chairman of the ARMC acts as the key contact between the committee members and Board as well as Senior Management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Terms of Reference of the ARMC requires that no former audit partner shall be appointed as a member of Audit Risk Management Committee unless he/she has served a cooling off period of at least two years before being appointed as a member of the ARMC. None of the ARMC members were previous partners or directors of the Company's external audit firm within the last 24 months and none of the ARMC members hold any financial interest in the external audit firm.	
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 required by its Terms of Reference to assess and monitor the performance, suitability, objectivity and independence of the external auditor annually.</p> <p>The external auditor had provided a confirmation to the Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Committee approves the terms of all audit services as well as permitted audit-related and non-audit services. The external auditor is only considered for permitted non-audit services when its expertise and experience of the company is important.</p> <p>The Committee considers the reappointment of the external auditor each year before making a recommendation to the board. The Committee is satisfied with the suitability and independence of the external auditor based on the quality of services delivered, sufficiency of the firm and professional staff assigned to the annual audit as well as the non-audit services performed for the financial year ended 31 December 2017 and has recommended their re-appointment at the forthcoming 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

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	:	All the 5 members of the ARMC are independent directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC Chairman is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He is experienced in the finance and corporate sectors with considerable knowledge, experience and exposure in management consultancy, taxation and accounting and auditing.</p> <p>The committee also comprises of members who possess vast experience, knowledge and understanding of the business and the industry that the company operates within i.e. trading, property development, construction etc., thus, enabling the committee to discharge its duties effectively.</p> <p>During the financial year, the Group organised a training course entitled “Changes and Implications of the Companies Act 2016” for all the Directors and Senior Management. All the members of the ARMC attended the said training. During the year, some directors attended various seminars/ courses provided by Bursa Malaysia. The Group will continue to organise development and training programmes for the benefit of Directors and in addition, the Directors individually are encouraged to equip themselves on the new developments in the business environment by attending other relevant courses, trade fairs, seminars and conferences.</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

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 acknowledges its overall responsibilities over the effectiveness of its risk management and internal control system, which include:</p> <ul style="list-style-type: none"> • Ensure there is a sound framework for internal controls and risk management; • Oversees, reviews and monitors the operation, adequacy and effectiveness of Group’s system of internal controls; • Understand the principal risks of all aspects of the Company’s business; and • Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non – financial risks. • Monitor compliance with established policies and procedures; • Review the efficiency and quality of the Group’s financial reporting process and system of accounting and internal controls; • Ensure the integrity of the Group’s financial and non-financial reporting; and • Oversees the Group’s policies as a whole which includes the Code of Conduct. <p>The Board has delegated its role in the review process to the ARMC. However, the Board as a whole remains responsible for all the actions of the committee with regard to the execution of the delegated role and this includes the outcome of the review and disclosure on key risks and internal controls in the Company’s annual report.</p> <p>The Statement on Risk Management and Internal Control in the annual report detailing the features of the risk management and internal control systems of the Group.</p>
Explanation for departure	:	

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

Intended Outcome

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>A Risk Management Framework has been established based on ISO 31000:2009 Risk Management – Principles and Guidelines. This framework incorporates processes for identifying, assessing, responding, monitoring and reporting risks and ultimately bringing significant risks to the attention of senior management and the Board for immediate action.</p> <p>Based on the results of the risk assessment, the Group’s principal risks such as market risk, competition risk, operational risk, credit risk etc. have been identified as well as controls in place to mitigate or manage these risks.</p> <p>Based on the various procedures and controls put in place by the Group, the work performed, risk assessment reports and reports submitted by the internal and external auditors, the Board has reviewed and are satisfied that risk management and internal control system put in place for the year under review and up to the date of approval of this statement are adequate and effective to safeguard the interest of all shareholders, the Group’s assets and other stakeholders.</p> <p>The Statement on Risk Management and Internal Control in the Annual Report 2017 describes the features of the risk management and internal control systems of the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Group incorporate its Risk Management Committee by combining it with the Audit Committee. Included in the role of the ARMC is to evaluate the risks the Group face and identify action plans in mitigating those risks.</p> <p>With effect from 1 March 2018, the Board has separated the committee into two committees, known as the "Audit Committee" and the "Risk Management Committee".</p>

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group’s internal audit function is outsourced to a professional service firm, Axcelasia Columbus Sdn Bhd, to provide the ARMC with an independent assessment on the adequacy and effectiveness of the Group’s system of internal controls.</p> <p>During the financial year ended 31 December 2017, the outsourced internal audit function carried out audits in accordance with the risk-based internal audit plan reviewed and approved by the ARMC. The results of their review presented in the Internal Audit Report, which include a summary of internal audit findings and management’s responses, were discussed with Senior Management and subsequently presented to the ARMC. Follow up visits were also conducted by Internal Auditors to ensure that management’s action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed.</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 engagement Executive Director of the outsourced internal audit function, Mr Mah Siew Hoong, has diverse professional experience in internal audits, risk management and corporate governance advisory. He is a certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia and the Malaysian Institute of Accountants. He is a Certified Internal Auditors (USA) and has a Certification in Risk Management Assurance (USA).</p> <p>The number of staff deployed for the internal audit reviews ranges from 5 to 6 staff per visit including the engagement Executive Director. The staff involved in the internal audit reviews possesses professional qualification and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework (IPPF).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Board will ensure the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company’s performance and operations in addition to the various announcements made during the year. The Company will conduct dialogues with financial analysts and/or the media from time to time as a means of effective communication to enable the Board and Management to convey information relating to the Company’s performance, corporate strategy and other matters affecting shareholders’ interests.</p> <p>The Board presents the progress and performance of the Group to provide shareholders with the opportunity to seek clarification on the Group’s businesses and financial performance during the AGM and EGM. The Directors, Chairman of the ARMC, and External Auditors are always available to respond to the questions of shareholders during the 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

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	:	The Group does not fall under the category of “ Large Companies .”. The Group does take efforts to provide meaningful and adequate information to investors, the general public and other stakeholders on the Group’s strategy, business operations, business structure as well as sustainability and corporate social responsibility efforts.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Group meets with the main Market Listing Requirements (“MMLR”) and will adopt integrated reporting should the MMLR be expanded to include integrated reporting.	
Timeframe	:	Others	

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	:	Notice of the annual general meeting was given to shareholders at least 28 days in advance to ensure that shareholders have sufficient time to prepare and digest issues to be raised during the meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>8 out of 9 directors were in attendance in the 21st AGM held on 15 June 2017. The Chairman was absent with apologies due to exigencies.</p> <p>All the other Directors (including the respective chairmen of the Board Committees) were present to facilitate discussion on matters such as audit, remuneration, nomination and risk management. The External Auditor was also present to address shareholders' queries about the conduct of the audit.</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 21st AGM was held in Danga Bay Convention Centre, which is in the city of Johor Bahru with convenient accessibility to encourage greater shareholder participation during general meetings.</p> <p>The Company had considered participation from shareholders and will consider adopting technology for shareholders remote attendance should there be request from shareholders. There were no request to enabled remote shareholders participation.</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	:		

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

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

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