

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : **5131**  
**COMPANY NAME** : **ZHULIAN CORPORATION BERHAD**  
**FINANCIAL YEAR** : **30 November 2018**

### **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

#### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board’s role is to provide strategic guidance to the Company and effective oversight of its management for the benefit of shareholders and other stakeholders while the Management team manages and runs the operations.</p> <p>The Board is accountable to shareholders and is responsible for the stewardship of the Group’s Business and affairs on behalf of the shareholders. Significantly, the Board shall seek to ensure that the Business objectives of the Group is aligned with the expectations of shareholders with a view to enhancing long-term shareholders’ value whilst taking into account the interests of other stakeholders and maintaining high standards of transparency, accountability and integrity.</p> <p>Additionally, often, the Board has to warrant that the operations of the Group are being effectively managed in a manner that is properly focused on those Business objectives, conforming to regulatory and ethical requirements as well as maintaining high standards of transparency, accountability and governance.</p> <p>The Board is mindful of the importance of business sustainability and in developing the corporate strategy of the Group, its impact on the environment, social and governance aspects is taken into consideration.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Tuan Haji Wan Mansoor Bin Wan Omar is an Independent Non-Executive Chairman of the Board who provides a strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process.</p> <p>The Chairman ensures that Executive Directors look beyond their executive function and accept their full share of responsibilities of governance and provide regular updates on all issues pertinent to the welfare and future of the Group to the Board. The Chairman may delegate specific duties to the Executive Directors, Board members and / or Committees as appropriate.</p> <p>The Chairman ensures that proceedings of meetings comply with good conduct and practices and that discussions result in logical and understandable outcomes.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Complied
<b>Explanation on application of the practice</b>	:	<p>The position of Chairman and Group President and CEO are held by different individuals.</p> <p>Tuan Haji Wan Mansoor Bin Wan Omar is the Independent Non-Executive Director while Mr. Teoh Beng Seng is the Group President and CEO.</p> <p>The role of the Chairman and Group President and CEO are distinct and separate to ensure that there is a balance of power and authority.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is qualified to act as Company Secretary under section 235(2) of the Companies Act 2016.</p> <p>The Company Secretary is responsible to provide sound governance advice to the Board, ensure proper Board procedures are followed and in compliance with relevant rules and regulations, as well as adoption of corporate governance practices.</p> <p>The Company Secretary plays an advisory role in all the Board meetings and ensures that all the meetings are properly convened and conducted.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified and competent Company Secretary who is responsible to provide sound governance advice to the Board, ensure proper Board procedures are followed and in compliance with relevant rules and regulations, as well as adoption of corporate governance practices.</p> <p>The Company Secretary plays an important role in ensuring all the meetings are properly convened and conducted. Meeting materials are distributed to Directors, which are complete and accurate within a reasonable time period prior to the meeting. All the minutes of Board meetings are properly recorded, maintained and circulated in a timely manner.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

The board charter clearly identifies:-

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter which sets out the roles and responsibilities of the Board and matters reserved for the Board to decide.</p> <p>The Board Charter is reviewed annually or as and when necessary in accordance with the needs of the Group to ensure its effectiveness and relevance to the Board's objectives.</p> <p>The Board Charter is accessible for reference on the Company's corporate website at <a href="http://www.zhulian.com">www.zhulian.com</a>.</p>
<b>Explanation on departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is mindful of its role to establish a corporate culture which inculcates ethical conduct that permeates throughout the Group.</p> <p>The Board recognises the importance on adherence to the Code of Conduct and Code of Ethics by all personnel (i.e. Directors, Management and Officers) in the Group and has taken measures to put in place a process to ensure its compliance.</p> <p>The Board will periodically review and reassess the adequacy of the Code of Conduct and Code of Ethics, and make such amendments as it deems appropriate.</p> <p>The Code of Conduct and Code of Ethics are available on the Company's corporate website at <a href="http://www.zhulian.com">www.zhulian.com</a>.</p>
<b>Explanation on departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's Whistleblower Policy outlines when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of ethics involving employee, Management or Director in the Group.</p> <p>This policy covers improprieties or irregularities, suspected fraud or criminal offences, breach of confidentiality and failure to comply with legal or regulatory requirements.</p> <p>All concerns reported by the whistleblower are made to the Audit Committee Chairman or Group President and Chief Executive Officer or Group Managing Director and shall be set forth in writing, orally or via electronic mail.</p> <p>The Whistleblower Policy is available on the Company's corporate website at <a href="http://www.zhulian.com">www.zhulian.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The current Board consists of seven (7) members, three (3) of whom are Executive Directors and four (4) are Independent Non-Executive Directors.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.2**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Annual Shareholders' approval is obtained for Directors who served beyond nine (9) years.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 – Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has entrusted the Nominating Committee to assess the suitability of candidates for new appointment and re-election to the Board.</p> <p>The Nominating Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for Departure</b>	:	<p>The Board acknowledges the recommendation of MCCG on gender diversity.</p> <p>However, the Board has not established a specific policy on setting targets for women candidates. The Board believes it is not necessary to adopt a formal gender, ethnicity and age diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.</p> <p>The evaluation of the suitability of candidates is based on the candidates' mix of skills, knowledge, professionalism, competencies, character, time commitment, integrity, independence, and experience to bring value and expertise to the Board.</p> <p>The Nominating Committee will, however, continue to take steps to ensure suitable women candidates are sought and considered as part of its recruitment exercise.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee is responsible for recommending suitable candidates for Directorship to the Board.</p> <p>The Nominating Committee may utilize external sources for such recommendations, and also may receive suggestions from existing Board members, major Shareholders, Management or any other relevant parties in searching for suitable candidates.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nominating Committee is chaired by an Independent Non-Executive Director.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committee 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 candied board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board reviews annually, via reports from the Nominating Committee, its performance, as well as the performance of Board Committees and individual Directors based on a set of predetermined criteria that is facilitated by the Company Secretary.</p> <p>The Board is satisfied that the composition of the Board and its Board Committees have met the criteria required and Board members possess the relevant knowledge, experience and skills in carrying out their duties and responsibilities.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 6.1**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for Departure</b>	:	<p>The Remuneration Committee has in place policies and procedures for the remunerations of Directors and Senior Management.</p> <p>The above policies and procedures are currently not made available on the Company's website, as the Company is of the view that the disclosure would create negative impact amongst Senior Management due to different criteria are being applied.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Terms of Reference for the Remuneration Committee is made available on the Company's corporate website at <a href="http://www.zhulian.com">www.zhulian.com</a> .
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The information on the remuneration of each Director is disclosed in the Company's Annual Report 2018.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for Departure</b>	:	<p>The Board acknowledged the need for transparency in the disclosure of its Senior Management's remuneration.</p> <p>Nonetheless, it takes the view that such disclosure might be detrimental to the Group's business interests given the highly competitive human resources environment in which the Group operates where intense head hunting for the candidates with the requisite expertise, knowledge and relevant professional experience is the norm.</p> <p>As such, disclosure of specific remuneration information could give rise to recruitment and talent retention issues going forward. The Group adopts a remuneration system that is responsive to the market elements as well as performance of the Group and its business divisions.</p> <p>The Company is of the view that the disclosure on a named basis the top five senior management's remuneration component would create negative impact amongst the senior management due to the sensitivity of the information.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.3 – Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Board is Tuan Haji Wan Mansoor Bin Wan Omar while the Chairman of the Audit Committee is Mr. Diong Chin Teck and they are not related to each other.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nominating Committee has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two years before he/she may be considered to be appointed as a member of the Audit Committee.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee has always maintained a transparent relationship with the external auditors in seeking professional advice and ensuring that the financial statements of the Group are prepared in accordance with the applicable approved accounting standards in Malaysia.</p> <p>The Audit Committee has set the criteria to assess the suitability and independence of external auditors. The Audit Committee has reviewed and assessed the external auditors in terms of independence, performance, competency and integrity, and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the Annual General Meeting.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 – Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	All the three members of the Audit Committee are Independent Non-Executive Directors.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All the members of the Audit Committee are able to understand matters under the purview of the Audit Committee including the financial reporting process. Members of the Audit Committee review the financial related matters collectively.</p> <p>External Auditors updates the Audit Committee with relevant development in accounting and auditing standard, practices and rules as and when necessary.</p> <p>The qualification and experience of the Audit Committee members are disclosed in the Profile of Board of Directors in the Annual Report.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has established an effective risk management and internal control framework, as spelt out in the Statement on Risk Management and Internal Control.  The Statement on Risk Management and Internal Control as disclosed in the Company's Annual Report 2018 has been reviewed by the External Auditors.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.2**

The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The information on risk management and internal control framework is set out in the Statement on Risk Management and Internal Control.  The Statement on Risk Management and Internal Control as disclosed in the Company's Annual Report 2018 has been reviewed by the External Auditors.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.3 – Step Up**

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

<b>Application</b>	:	Applied
<b>Explanation on the adoption of the practice</b>	:	<p>The Risk Management Committee (“RMC”) with clearly defined Terms of Reference and headed by the Group Managing Director has been established in October 2018 as an entity to be responsible for the overall Group’s risk management.</p> <p>The entity discusses solutions and challenges pertaining to risk management and proceedings are reported to the Board of Directors at the Board meeting after each Committee meeting.</p> <p>The RMC comprised of one (1) Executive Director and four (4) Non-Executive Directors.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The information pertaining to the Audit Committee's assessment on internal audit function is set out in the Audit Committee Report as disclosed in the Company's Annual Report 2018.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 10.2

The Board should disclose –

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The relevant information of the internal audit personnel has been disclosed to the Audit Committee and the information on the internal audit unit has been spelt out in the Audit Committee Report as disclosed in the Company's Annual Report 2018.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 11.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Annual General Meeting (“AGM”) is a platform for dialogue and interaction with shareholders. The Company has always taken the initiative to communicate and engage with shareholders especially during AGM. Shareholders are always encouraged to enquire issues and discuss matters which are relevant to the business operations of the Group at the AGM.</p> <p>Notice of AGM together with the Company’s annual report are served to shareholders of the Company at least twenty eight (28) days before the meeting, and shareholders who are unable to attend will have the right to appoint proxy to attend and vote on their behalf.</p> <p>The Company also organizes analysts briefing as well as meetings with fund managers and investors in response to requests from institutional investors, analysts and public investors.</p>
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

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

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Notice for the forthcoming Annual General Meeting is given to shareholders at least twenty eight (28) days prior to the Meeting.
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Barring unforeseen circumstances, all Directors shall attend the Company's General Meetings. The Chairman of all the relevant Board Committees will be available to give response to questions addressed to them
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Not applicable as the Company did not in the past hold meetings in remote locations.  Meetings were held in a reputable hotel not located in remote locations.
<b>Explanation on application of the practice</b>	:	
<b>Explanation for Departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

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

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