

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3158
COMPANY NAME : YNH PROPERTY BHD
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is overall responsible for the performance and affairs of the Company by overseeing the strategic plan of the Group. The Board sets the strategies direction ensuring that the necessary resources are in place for the Company to meet its objectives and review management performance. The Board also oversee the business operation, resource management, assessment of risks aim at providing effective oversight.</p> <p>The Board is also responsible to shareholders and stakeholders for achieving Group's strategies objective and to deliver sustainable grown in their values.</p> <p>The Board delegates the implementation of its strategies to the Company's Management as to monitor the conduct and management of the Group's business.</p> <p>The roles and responsibilities of the Board have been clearly defined in the Board Charter which is available on the Company's website.</p> |
| Explanation for departure | : | Not Applicable |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman of the Board, plays a key role in leading and ensuring the adequacy and effectiveness of the Board's performance and governance practices. He represents the Board to the shareholders and other stakeholders.</p> <p>The Chairman is primarily responsible for:</p> <ul style="list-style-type: none"> • Leading the Board meetings discussions and encourages debate on issues and seek views from the Board on matters requiring decisions. • Maintaining regular dialogue with the Managing Director and senior management in respect of all material matters affecting the Company and to consult with the other Board members promptly and appropriately. • Chairing the annual general meeting and provides responses to shareholders on issues raised by them. <p>The Chairman's key responsibilities are set out in the Board Charter which is available on the Company's website.</p> |
| Explanation for departure | : | Not Applicable |
| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company does not have a CEO but with the positions of two Executive Directors, the Chairman and the Managing Director, are held by different individuals.</p> <p>The Chairman leads and manages the Board by focusing on strategy, governance and compliance whilst the Managing Director manages the business and day-to-day operation of the Company and implements the Board's decisions.</p> <p>The Chairman and the Managing Director play a distinct and separate roles with a clear division of responsibilities to ensure a balance of power and authority.</p> | |
| Explanation for departure | : | Not Applicable | |
| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is supported by two suitably qualified and competent Company Secretaries from Boardroom Corporate Services Sdn Bhd and one in-house Company Secretary who was licensed by the Registrar of Companies.</p> <p>Below is a summary of the relevant responsibilities by the Company Secretaries:</p> <ul style="list-style-type: none">• Advised the Board on their roles and responsibilities and provide regular updates on new statutory and regulatory requirements relating to the discharge of the Board's duties and responsibilities;• Provided support to the Board in fulfilling its duties and leadership role in shaping the corporate governance of the Group;• Managed the logistics of all Board and Board Committee meetings. Attendance and minutes of all meetings are properly recorded and kept;• Managed processes of all General Meetings.• Monitored the developments of Corporate Governance and assist the Board in applying best practices to meet the Board's needs and shareholders' expectations. <p>The Company Secretaries also play an important advisory role in the Company. In this respect, the Company Secretaries advise the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations, which include amendments to the Constitution of the Company arising from the Companies Act 2016, and amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the best practices of the Malaysian Code on Corporate Governance.</p> |
| Explanation for departure | : | Not Applicable |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees and the annual General Meeting.</p> <p>The Board members are furnished with proper agenda with due notice issued and board papers and reports by the Management at least 7 days prior to the meetings. This is to ensure that the Board members have sufficient time to review the board papers for effective discussions and decision making during the meetings.</p> <p>All deliberations and decisions at the Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p> |
| Explanation for departure | : | Not Applicable |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 2.1

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

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board will periodically reviews its Board Charter as and when necessary. The updated version of the Board Charter is make available at the Company’s website.</p> <p>The Board Charter outlines the duties and responsibilities of the Board of Directors, Chairman and the Board Committees. The keys matters reserved for the Board’s deliberation and decision making are spelt out in the Board Charter.</p> | |
| Explanation for departure | : | Not Applicable. | |
| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has in place a Code of Conduct and Ethics for Directors and employees of the Company. The Code of Conduct and Ethics is available at the Company's website.</p> <p>The Code of Conduct and Ethics for Directors provides the principle standards relating to the Directors' duties to act in the best interest of the Group which covers the areas of conflicts of interest, confidential information, inside information and securities trading, compliance to the law, protection of the Company's assets and health safety and environment for the workers.</p> <p>The Code of Ethics for employees promotes honest and ethical conduct in all aspects of the Company's operations including handling of actual or apparent conflict of interest between personal and professional relationships in the workplace, confidentiality of information and inside securities trading.</p> |
| Explanation for departure | : | Not Applicable |
| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company’s Whistleblowing Policy and Procedures is to provide and facilitate a mechanism for any reporting individual to report concern about any suspected or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving the resources of the Group.</p> <p>The Whistleblowing Policy sets out the procedures for the Group’s directors and employees to report genuine suspicions of non-compliance without fear of retribution or retaliation.</p> | |
| Explanation for departure | : | Not Applicable | |
| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board comprises of five (5) Directors i.e. two (2) Executive Directors (one Chairman and one Managing Director) and three (3) Independent Non-Executive Directors (“INED”)</p> <p>The presence of majority Independent Directors provides unbiased and independent views in Board deliberations and decision making, taking into account the interests of the Group and minority shareholders.</p> <p>The assessment of independence of the INED are conducted on an annual basis. The Nominating Committee undertakes an assessment of all INED based on the completed Independent Directors’ Self-Assessment Checklist submitted by them.</p> | |
| Explanation for departure | : | Not Applicable | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.2

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board with Nominating Committees' recommendation, amended the Board Charter under Tenure of Directors by requirement the Independent Directors whose tenure exceeded a cumulative term of more than nine (9) years may continue to serve on the Board as Independent Directors provided that the Board to make recommendation and strong justification for their re-appointment and to seek shareholders' approval.</p> <p>However, the Company will not be carrying out the 2-tier voting at the forthcoming Annual General Meeting as the Board is of the view that the 2-tier voting is not only incompatible with Section 291 of the Companies Act 2016 which requires as simple majority to pass the ordinary resolution and treating all shareholders with voting rights ranking pari passu without discriminating them as "Large Shareholders" or otherwise.</p> |
| Explanation for departure | : | Not Applicable |
| <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 4.3 - Step Up

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

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| Application : | Not Adopted |
| Explanation on adoption of the practice : | |

Intended Outcome

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

Practice 4.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | The Board is of the view that its Board composition and Senior Management composition is well balanced, and that the appointments are made on the recommendations by the Nominating and Remuneration Committees based on the objective criteria and with due regard for diversity in skills, experience, age, culture background and gender. |
| Explanation for departure | : | Not Applicable |
| <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 4.5

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.

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| Application | : | Departure |
| Explanation on application of the practice | : | Not Applicable |
| Explanation for departure | : | For the selection of Board members, the Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | For any vacant Board position in the future, the Board when sourcing for suitable candidates, consideration is given to all suitably qualified candidates without discrimination in any form. |
| Timeframe | : | As and when required. |

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.

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| Application | : | Departure |
| Explanation on application of the practice | : | Not Applicable |
| Explanation for departure | : | <p>The Board together with the senior management will search for appropriate candidates to fulfil any position require from various sources, including independent sources if relevant.</p> <p>The Nomination Committee would assess and recommend suitably qualified candidates for any appointment to the Board which fits the prescribed criteria that the Board is looking for.</p> <p>The Board and senior management of the Company would have a better understanding of the board candidatures, taking into account factors, amongst others, qualification, skills, experience and personal attributes of the new directors for the industry in which it operates in and is subjected to fit any requirements by the relevant regulators.</p> <p>The Board and Nomination Committee did not utilise independent sources to identify suitably qualified candidates as the management understands the specialised industry it operates in.</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | The Board will open to utilising independent sources to identify suitably qualified candidates, where necessary. |
| Timeframe | : | As and when required. |

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Nominating Committee is chaired by the Senior Independent Non-Executive Director of the Company. | |
| Explanation for departure | : | Not Applicable | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
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Intended Outcome

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nominating Committee carried out the Board Effectiveness Evaluation annually. The Nominating Committee reviewed the Performance Evaluation Sheet on Board and Board Committee and Individual Peer which completed by all the Directors.</p> <p>The assessment on Board and Board Committee and Individual Peer were based on the following criteria:</p> <ul style="list-style-type: none"> • Board and Board Committee <ul style="list-style-type: none"> ○ Board Structures ○ Board Operations ○ Board Roles and Responsibilities ○ Board Chairman’s Role and Responsibilities • Individual Peer <ul style="list-style-type: none"> ○ Contribution to Interaction ○ Quality of Input ○ Understanding of Role ○ Board Chairman’s Role <p>The results of the overall evaluation of the Board including their recommendation for any improvements would be presented to the Board by the Nominating Committee.</p> |
| Explanation for departure | : | Not Applicable |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.1

The board has 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee is responsible inter alia in recommending to the Board the remuneration framework for directors. The remuneration package will be structured according to the skills, experience and performance of Executive Directors so as to attract and retain the Directors to manage the Group successfully.</p> <p>The remuneration package of Non-executive Directors are based on their experience and level of responsibilities which is determined collectively by the Board. Individual Directors do not participate in the decision concerning their individual remuneration.</p> <p>The fees of the Non-Executive Directors and any benefits payable to the Directors shall from time to time be determined by an Ordinary Resolution of the Company in general meeting in accordance with Section 230 of the Companies Act 2016.</p> |
| Explanation for departure | : | Not Applicable |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 6.2

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

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board has established a formal and transparent process for approving the remuneration of the Board. The Nominating and Remuneration Committee will review and recommend the remuneration of board and senior management on an annual basis.</p> <p>The remuneration policy is made available at the Company's website.</p> | |
| Explanation for departure | : | Not Applicable | |
| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | In line with best corporate governance practice and Bursa Listing Requirement, the disclosure of the Directors' remuneration on a named basis are disclosed in the Annual Report of the Company. |
| Explanation for departure | : | Not Applicable |
| <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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | Not Applicable | |
| Explanation for departure | : | The Board notes that the disclosure of details in excess of the above may be detrimental to its business interest, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching has become common place. | |
| | | The Board further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top five senior management personnel who are not Directors of the Company. | |
| <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.

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|--|---|--------------|
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Chairman of the Audit Committee is not the Chairman of the Board. The Board was not to impair the objectively review of the Audit Committee's findings and recommendations. |
| Explanation for departure | : | Not Applicable |
| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In line with the recommendation of the Malaysian Code on Corporate Governance, the Terms of Reference of the Audit Committee has been revised to include a cooling-off period of at least two years before a former key audit partner could be appointed as a member of the Audit Committee to safeguard the independence of the audit of the financial statements.</p> <p>The said restriction is stated in the Terms of Reference of the Audit Committee which is available on the Company's website.</p> |
| Explanation for departure | : | Not Applicable |
| <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.

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|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee's Terms of Reference which provides the procedures to assess the suitability, objectivity and independence of the external auditor.</p> <p>The Audit Committee had undertaken an assessment of the quality of the external audit which encompassed on their performance, independence, objectivity and professionalism.</p> |
| Explanation for departure | : | Not Applicable |
| <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.

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| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Audit Committee comprises wholly of Three 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee continuously keep themselves abreast of any relevant development in accounting and accounting standard, practices and rules.</p> <p>The Chairman of the Audit Committee is financially literate, and has carried out his duty in accordance with the terms of reference of the Audit Committee.</p> <p>All members of the Audit Committee have participated in relevant continues professional development programmes.</p> |
| Explanation for departure | : | Not Applicable |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.1

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board has established risk management framework to continuously identify, evaluate, monitor and manage significant risks that materially affect the corporate objectives of the Group.</p> <p>The Group has in place the keys elements of risk management and internal control is set out in the Statement on Risk Management and Internal Control of the Company's Annual Report.</p> | |
| Explanation for departure | : | Not Applicable | |
| <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 | : | The features of the Company’s risk management and internal control framework, and the adequacy and effectiveness of this framework is set out in the Statement on Risk Management and Internal Control of the Company’s Annual Report. | |
| Explanation for departure | : | Not Applicable | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Not adopted. |
| Explanation on adoption of the practice | : | Currently, the Risk Management Committee is responsible in the risk management framework as set out in the Risk Management policy. The Independent directors are assisting the Risk Management Committee in carrying out their duties and overseeing the Group's risk management framework. |

Intended Outcome

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

Practice 10.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function was established with the initial engagement of an audit firm to provide the internal audit services.</p> <p>It is the responsibility of the internal auditors to provide the Audit Committee with independent and objective reports on the state of internal control of the various operation units within the Group.</p> |
| Explanation for departure | : | Not Applicable |
| <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>None of the internal audit personnel has any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The Company currently outsourced an audit firm to provide the internal audit services which reports directly to the Audit Committee.</p> <p>The internal audit function is determined by the Audit Committee after discussion of the audit plan with the Board.</p> |
| Explanation for departure | : | Not Applicable |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.1

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.</p> <p>The quarterly financial results are announced via Bursa Link immediately after the Board's approval which provide the shareholders and the investing public with an overview of the Group's performance and operations.</p> <p>At the Annual General Meeting, all shareholders are invited to raise questions to the members of the Board. The Board provided clear explanation to address the shareholders' questions.</p> <p>The Company has a general email address which allowance the shareholders to send in their queries. All email queries are attended to by the Executive Directors/ Financial Officers.</p> |
| Explanation for departure | : | Not Applicable |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 11.2

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | Not Applicable | |
| Explanation for departure | : | The Company would review the need to adopt the integrated reporting based on a globally recognised framework at the appropriate time. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | The Company will start preparing for the adoption of the integrated reporting based on a globally recognised framework. | |
| Timeframe | : | Within 5 to 10 years. | |

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 | : | Departure |
| Explanation on application of the practice | : | Not Applicable |
| Explanation for departure | : | The Notice of Annual General Meeting of the Company was issued and dated on 30 April 2019 i.e 27 days prior to the Annual General Meeting date. |
| | | The Notice period is well in advance of the 21 days requirement stipulated in the Companies Act 2016 and Listing Requirements. |
| <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 | : | Departure |
| Explanation on application of the practice | : | Not Applicable |
| Explanation for departure | : | <p>At last year Annual General Meeting held on 28 June 2018, four (4) out of five (5) Directors were present in person to engage directly with the shareholders at the meeting.</p> <p>The Chairman was absent for last year Annual General Meeting due to an earlier scheduled important commitment. The appointed Chairman of the meeting has responded to the questions submitted in advance by the Minority Shareholders Watchdog Group.</p> <p>The Directors attended remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and raise questions to the Directors at all General Meeting.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.3

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

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

| | | |
|---|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | Not Applicable |
| Explanation for departure | : | <p>The voting for the last Annual General Meeting held on 28 June 2018 was conducted on a poll in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad. The Company had appointed Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn Bhd) as Poll Administrator to conduct the polling process, and Raki CS Tan & Ramanan as Scrutineer to verify the poll results.</p> <p>The Scrutineer, Raki CS Tan & Ramanan upon verification of the poll results, announced the results for each resolution, which include votes in favour and against, upon which the Chairman of the Meeting declared the resolutions were carried. The poll results were announced by the Company via Bursa Link on the same day for the benefits of the shareholders.</p> <p>The Company will consider all factors to implement the applicable requirements in due course. The shareholders are engaged to appoint any person(s) as their proxies to attend, participate, speak and vote instead of them.</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | The Company will implement voting in absentia and remote shareholders' participation at general meeting at the appropriate time. |
| Timeframe | : | As and when required. |

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

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

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