

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0128
COMPANY NAME : FRONTKEN CORPORATION BERHAD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the key role it plays in charting the strategic direction of the Group, comprising the Company and its subsidiaries. To discharge this role, the Board has carried out the following activities during the financial year under review and up to the date of this Report:</p> <ol style="list-style-type: none">(1) Deliberated the Board's strategic imperatives at its scheduled quarterly meetings where the goals of the Group were discussed and formalised, resulting in the compilation of a comprehensive Group budget for the Board's approval. Resources were identified and allocated accordingly towards achieving such goals and objectives;(2) Reviewed the quarterly and year-end results of the Group as recommended by the Audit Committee prior to announcement of the same to Bursa Malaysia Securities Berhad ("Bursa Securities"). At these meetings, the operational and financial performance of the Group, together with any material development and issues relating to the business of the Group, were discussed and, where considered appropriate, remedial measures were undertaken;(3) Considered the internal audit reports, which were reviewed by the Audit Committee based on presentation by the independent out-sourced internal audit function, and endorsed corrective actions based on recommendations proposed by the internal audit function. The Audit Committee also took note of the findings raised by the in-house internal audit function based in Taiwan which covered solely the Taiwan operations. This process served to apprise the Board on the adequacy and operating effectiveness of the Group's system of risk management and internal controls;(4) In streamlining its supervisory role to assess Management's performance, the Board put in place specific Key Performance Indicators ("KPIs") for the Executive Management to align Management's strategy with the Group's objectives. Performance incentive scheme was also provided to Executive Directors and

	<p>Management to ensure the business was conducted effectively towards meeting corporate objectives;</p> <p>(5) Through the Audit Committee (i.e. a Board Committee comprising solely Non-Executive Directors with a majority Independent Directors) supported by a Group Risk Coordinator, the Board was apprised of the key business risks which were identified, evaluated and scored for likelihood of occurrence and the impact thereof. Significant risks were singled out with remedial measures implemented to manage such risks to acceptable levels. For more information on how the Board was fully apprised on the adequacy and operating effectiveness of the Group's system of risk management and internal control, refer to the Group's Statement on Risk Management and Internal Control included in the 2019 Annual Report;</p> <p>(6) Considered the succession of Board members as well as key Senior Management personnel, the assessment of which was carried out by the Nomination Committee as part of its remit; and</p> <p>(7) Recognising the importance of stakeholder communication, the Board has put in place an investor relations programme and shareholder communication policy. Primary communication channels with shareholders was through the Annual General Meeting where the Chairman invited shareholders who were present to engage in the resolutions being tabled for voting. A corporate website (www.frontken.com) has been established to provide a platform for investors and shareholders the opportunity to stay abreast of the Group's development, including financial and other announcements made to Bursa Securities.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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 roles and responsibilities of the Chairman are clearly set out in the Board Charter which was last revised in February 2019. Apart from being primarily responsible for leading the Board, the Chairman carries out the following roles:</p> <ul style="list-style-type: none">(a) Leads the Board in its responsibilities for the business and affairs of the Company and its oversight of Management;(b) Oversees the Board in the effective discharge of its supervisory role, including determining, in conjunction with the Company Secretary, the agenda items included in the notice of meetings;(c) Ensures the efficient organisation and conduct of the Board's function and meetings;(d) Facilitates the effective contribution by all Directors by allowing Directors to provide their views on the issues being deliberated, including dissenting views, if any, to be discussed;(e) Briefs all Directors in relation to issues raised at meetings;(f) Promotes constructive and respectful relations between Board members and between the Board and Management(g) Commits the time necessary to discharge effectively his roles as Chairman; and(h) Ensures that there is regular and effective evaluation of the Board's performance. <p>In discharging his roles, the Chairman also works with Senior Management, manages the Board, and promotes effective relations with shareholders, other stakeholders and the public.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 1.3

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The positions of the Board Chairman and the Chief Executive Officer are helmed by Mr. Ng Wai Pin.	
		The Board is of the view that there is no concentration of power and authority, and that no one individual Director has unfettered powers for decision making even though the dual roles are helmed by the same person. This is because there is a majority of Non-Executive Directors on the Board (i.e. 3 out of 5 Board members are Non-Executive Directors; 2 of whom are Independent Non-Executive Directors) who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their objective judgement. Moreover, the 2 Independent Non-Executive Directors are capable of exercising independent judgement to ensure fair and objective deliberations are carried out at Board meetings. In addition, where there are matters involving the Chairman/CEO as a party, he will recuse himself from all deliberations in line with the Companies Act 2016 and the Companies Constitution.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company outsourced its Company Secretarial function to an external professional firm which provides the services of named company secretaries.</p> <p>There are two (2) named Company Secretaries of Frontken Corporation Berhad, who are all members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"), namely:</p> <ol style="list-style-type: none">1) Mah Li Chen (MAICSA 7022751); and2) Chew Mei Ling (MAICSA 7019175). <p>The Company Secretaries are suitably qualified, in accordance with the requirements of the Companies Act 2016, and competent to support the Board. As members of MAICSA, the Company Secretaries are apprised periodically on changes to regulatory requirements that affect the Company and Directors.</p> <p>As such, the Board is regularly briefed by the Company Secretary(ies) on the latest updates on changes to existing laws and regulations.</p> <p>Besides the continuous disclosure requirements under the Main Market Listing Requirements and the Companies Act 2016, the Company Secretary(ies) also advise the Board, Board Committees and Management on disclosure requirements as and when they are inquired by Board members on ad hoc basis.</p> <p>The Board has access to the advice and services of the Company Secretaries who are responsible for ensuring that the established procedures and relevant statutes and regulations are complied with in a timely manner.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Prior to each financial year end, the Company Secretaries compile a timetable on proposed dates for meetings of the Board, Board Committees and the Annual General Meeting of the year. Thereafter, the Company Secretaries draw up a detailed timetable for the year of all the events, actions and matters to be taken by the various parties involved throughout the whole year.</p> <p>To ensure all Directors are provided with the necessary information and sufficient time to consider matters to be deliberated at Board and Board Committee meetings, the Company Secretaries send out notices of meetings at least seven (7) days before the meetings and also notice of closed period for dealings in securities to the Directors and Principal Officers prior to the closed period for dealings. Early circulation of meeting agenda and relevant papers aims to enhance the effectiveness and efficiency of meetings, by providing sufficient time for Directors to review the information provided, to make enquiries and to seek additional information and clarification, if needed.</p> <p>The Company Secretary(ies) attend(s) all Board and Board Committee meetings as well as the Annual General Meeting and ensure that the meetings are properly convened, constituted and conducted. After the meetings of the Board and Board Committees, the Company Secretary(ies) would summarise the actions that need to be taken and issue an action plan to Management for the appropriate actions to be taken and prepare the minutes for all the meetings accordingly, properly recording issues deliberated, including how decisions and conclusions are arrived at, as well as dissenting views or abstention by any Director, if any. The draft meeting minutes are normally circulated for Directors' perusal within reasonable intervals from the conclusion of the meeting, before being confirmed and approved at the following meeting.</p> <p>The Company Secretary(ies) also follow up with Management on the status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items remain as matters arising in the minutes of meetings until they are resolved or removed, if deemed no longer relevant.</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 Company has established a Board Charter, the main objective of which is to ensure that all Board members are aware of their duties and responsibilities as Directors and the various legislations and regulations affecting their conduct and that the Principles and Practices of good Corporate Governance are applied in all their dealings in respect, and on behalf, of the Company.</p> <p>Last revised in February 2019, the Board Charter sets out the roles and responsibilities of the Board of Directors, Board Committees, Chairman and Independent Non-Executive Directors, summarised as follows:</p> <ul style="list-style-type: none"> • The Board Chairman is responsible for leadership of the Board, by ensuring effective conduct of the Board, maintaining relationship between Executive and Non-Executive Directors, and ensuring effective communication with shareholders and stakeholders; • The Independent Non-Executive Directors are independent of Management and are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinion at Board meetings free of concern about their position or the position of any third party. They ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are given objective and impartial consideration by the Board; • The Non-Independent Non-Executive Directors do not carry any executive power but provide the necessary check and balance pertaining to decision making at the Board and Board Committee level, as the case may be, by providing an unbiased view over the matters deliberated for decision; • The following Board Committees have been established, guided by their respective terms of reference as follows:

- the **Audit Committee** which assists the Board in:
 - Assessing the reliability and integrity of information for inclusion in the Company's financial statements;
 - Overseeing enterprise-wide risk management;
 - Complying with legal and regulatory obligations;
 - Assessing the integrity of the Group's internal control and risk management framework;
 - Assessing the independence of the external and internal auditors; and
 - Reviewing related party transactions and conflict of interest situations.
- the **Nomination Committee** which assists the Board in:
 - the appointment and assessment of the performance of Directors;
 - Directors' induction programme;
 - Board Committee membership;
 - Senior Management succession planning, appointment and termination.
- the **Remuneration Committee** which assists the Board in:
 - Remuneration policies for Directors; and
 - Remuneration policies for the Chief Executive Officer, Chief Financial Officer and Senior Management.

The Board Charter does not specifically delineate the roles and responsibilities of the Chief Executive Officer and Executive Director. As a matter of practice, the Chief Executive Officer oversees the day-to-day management of the Group's operations and implements the policies, strategies and decisions adopted by the Board. He is assisted by his fellow Executive Director.

The Board Charter also outlines the key responsibilities of the Board of Directors which cover, inter-alia, the following matters reserved to the Board:

- a) Strategy and planning;
- b) Human resource – Board level, Senior Management and Company Secretaries, including succession planning;
- c) Remuneration – Board members and Senior Management;
- d) Capital management and financial reporting – announcements of quarterly and year end performance, dividend and related policies;
- e) Performance monitoring – Approval of key performance indicators;
- f) Risk management – approval of risk management strategies;

	<p>g) Audit and compliance – external auditors; and</p> <p>h) Board processes and policies – delegated authorities.</p> <p>The Board Charter is made available on Frontken’s website, www.frontken.com</p> <p>The Board Charter is kept under review and updated as practices on Corporate Governance and regulatory requirements develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has formalised a Code of Conduct for its Directors and employees, which is available on the Company's website at www.frontken.com</p> <p>The Code of Conduct stipulates that all employees of the Group are expected to discharge their respective duties with the highest level of integrity in line with relevant laws and regulations and the Group's policies, guidelines and best practices and failure to comply may result in the commencement of disciplinary proceedings that may lead to termination of employment and/or appointment. The Code covers mainly the following captions:</p> <ul style="list-style-type: none">• <u>Conflicts of Interest</u> The Group expects employees to perform their duties conscientiously, honestly and in the best interest of the Group. Employee must not engage in activities that directly or indirectly involve, or could appear to involve, a conflict between their personal interests and the interests of the Group. Employees must not use their positions or the knowledge gained as a result of their positions for private or personal advantage. Any actual or potential conflict of interest is to be fully disclosed to appropriate supervising manager and/or Board of Directors and where such circumstances are permitted by Management and/or Board of Directors to continue, shall not be deemed a breach of this Code;• <u>Group Funds and Other Assets</u> Employees who have access to Group funds in any form must follow the prescribed procedures for recording, handling and protecting the funds as detailed in the Group's policies and procedures or other explanatory materials, or both. The Group imposes strict standards to prevent fraud and dishonesty. If employees become aware of any evidence of fraud and

	<p>dishonesty, they are to immediately advise the appropriate supervising manager and/or any of the Independent Non-Executive Directors so that the Group can promptly investigate further. When an employee's position requires disbursing Group funds or incurring any reimbursable personal expenses, that individual must exercise good judgment on the Group's behalf to ensure that good value is received for every expenditure. Group funds and all other assets of the Group are purposed for the Group only and not for personal benefit; and</p> <ul style="list-style-type: none"> • <u>Group Records and Communications</u> <p>Accurate and reliable records are necessary to meet the Group's legal and financial obligations and to manage the affairs of the Group. The Group's books and records must reflect in an accurate and timely manner for all business transactions. The employees responsible for accounting and record keeping must fully disclose and record all assets, liabilities, or both, and must exercise diligence in enforcing these requirements. Employees must not make or engage in any false record or communication of any kind, whether internal or external, including but not limited to:</p> <ul style="list-style-type: none"> - False expense, attendance, production, financial, or similar reports and statements; and - False advertising, deceptive marketing practices, or other misleading representations. 	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has documented Whistle Blowing Policies and Procedures, including reporting templates, for employees to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. The Whistle Blowing Policies and Procedures document is uploaded on the Company's website at www.frontken.com</p> <p>The scope of matters covered by this Policies and Procedures document not only relates to concerns and complaints regarding financial matters but also any or a combination of the following:</p> <ul style="list-style-type: none"> (a) Financial malpractice, impropriety or fraud; (b) Corruption, bribery or blackmail; (c) Failure to comply with laws or regulations or group/company policies and procedures; (d) Criminal offences and miscarriage of justice; (e) Endangerment of an individual's health and safety; (f) Falsification or destruction of business or financial records, or misrepresentation or suppression of financial information; and (g) Concealment of any of the above. <p>For purpose of reporting, the following Independent Non-Executive Directors may be contacted at +60123850640 or joharmurad@gmail.com or +60122902886 or stevengcw632@gmail.com</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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>With the retirement of Dr. Jorg Helmut Holnloser at the last Annual General Meeting of the Company and sudden demise of Aaron Sim Kwee on 30 June 2019, the Board's composition fell short of the 50% Independent Non-Executive Directors.</p> <p>2 new Directors, namely Gerald Chiu Yoong Chian (Non-Independent Non-Executive Director) and Ng Chee Whye (Independent Non-Executive Director) were appointed to the Board on 31 July 2019 making a total of 5 Directors as at the end of the financial year. Out of these 5 Directors, 3 of them are Non-Executive with 2 being Independent Non-Executive Director, i.e. 60% of the Board is made up of Non-Executive Directors that provides the relevant check and balance to the Executive Directors in Board deliberations.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board intends to appoint new Independent Non-Executive Directors to fulfil Practice 4.1 to enhance corporate governance in the Board.
Timeframe	:	Within 2 year

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>The Board has a Director, namely Dato' Haji Johar bin Murat @ Murad (appointed to the Board as Independent Non-Executive Director on 10 April 2006), who had served more than 12 years at the end of the financial year under review.</p> <p>The Board had assessed, via the Nomination Committee, his independence and performance for the financial year under review and, accordingly, recommended him for shareholders' approval at the forthcoming Annual General Meeting of the Company to be held later this year to continue to serve as Independent Non-Executive Director of the Company for the ensuing year.</p> <p>For the financial year under review, apart from being satisfied that he fulfilled the criteria under the definition of Independent Non-Executive Director provided in the Main Market Listing Requirements of Bursa Securities, the Board believes the following justifications are sufficient and appropriate for it to recommend his extension as an Independent Non-Executive Director to be voted by shareholders on a 2-Tier voting process:</p> <ul style="list-style-type: none">• He has demonstrated his commitment to the Company by attending all meetings of the Board and Board Committees of which he is a member;• He brings to the Board vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decision;• He has been with the Company for more than twelve (12) years and, accordingly, is familiar with the nuances and understanding of the Group's business operations to enable him to contribute to the Board; and• He has exercised due care and diligence during his tenure as Independent Non-Executive Director of the Company and carried

	<p>out his duties professionally and objectively in the interest of the Company and shareholders.</p> <p>Practice 4.2 states that if the Board continues to retain an Independent Non-Executive Director beyond the 12th year, the Board should seek annual shareholders' approval through a two-tier voting process respectively. At the last Annual General Meeting of the Company held in May 2019, the extension of Dato' Haji Johar bin Murat@Murad as an Independent Director was voted on a 2-Tier voting process.</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 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In identifying and nominating candidates to fill Board vacancies when they arise, appointment of additional new Director, or replacement of Senior Management personnel, the Nomination Committee sources for candidates, normally through recommendations of fellow Directors or major shareholders, and evaluates candidates based on, amongst others, their skills, knowledge, competency, experience, time commitment, character, professionalism and integrity. In evaluating candidates, the Nomination Committee applies strictly the concept of meritocracy, with no specific targets towards, nor discrimination against, any age group, cultural background or gender criteria although these attributes are taken into consideration in deriving a decision.</p> <p>The Board believes that diversity in skills and experience is fundamental towards good governance and in enhancing the effectiveness of Board deliberation. The Board consists of qualified individuals with diverse experience, backgrounds and perspectives and who have demonstrated commitment to the Company from the attendance at meetings and deliberations at the same. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.</p> <p>The Executive Directors are complemented by the experience and independent views of the Independent Non-Executive Directors as well as Non-Independent Non-Executive Director who are professionals in the field of finance, accounting, administration, strategic management, and research and development. The Board members possess a fair range of business, finance, accounting, administration, research and development, and legal experience. The mix of skills and experience are vital in directing and supervising the Group's overall business activities in light of the increasing challenging economic and operating environment in which the Group operates.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board does not have a specific policy for setting targets on gender, ethnic or age composition on the Board or Senior Management. Assessment of suitability of candidates for Directorship is based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs, whilst the selection of Senior Management is largely based on the merits, skills and relevant experience of the candidates concerned. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre.</p> <p>Whilst it is aware of potential benefits that might accrue from having members in the Board and Senior Management of different genders, age groups as well as ethnicity, the Board is of the view that the interests of the Company and the Group are better served if the selection of suitable candidates is made on the criteria of meritocracy, skill-set requirements and experience relevant for the position, rather than formalizing policies and targets towards gender, age and ethnicity. The Board believes that the financial performance of the Group at least for the past three (3) years, even in the absence of policies setting targets for board diversity, is testament that the intended outcome of having Board decisions being made objectively in the best interests of the Company, taking into account diverse perspectives and insights, has been realized based on prevailing practices.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Company's Constitution, Board Charter and Nomination Committee Terms of Reference set out the process for which members are appointed to the Board. The Nomination Committee is responsible for assessing proposed candidates based on selection criteria expected of a Director and makes recommendation to the Board if the proposed candidates are found to be suitable. The decision on new appointment of Directors rests with the Board after considering the recommendation of the Nomination Committee.</p> <p>In practice, upon the need to seek for a candidate for appointment of Directorship, the Nomination Committee, with the assistance of the Company Secretary, will source for candidates via recommendations from existing Board members, Management or major shareholder.</p> <p>The Board is of the view that this process has been working well towards enhancing the effectiveness of the Board. Moreover, through the recommendation of familiar parties, the Board is to a certain extent assured of the integrity of the candidates for Directorship.</p> <p>Going forward, the Board will, nonetheless, consider sourcing candidates from external sources as promulgated by the Malaysian Code on Corporate Governance when the need to on-board non-executive director arises.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	The Board has established a Nomination Committee, comprising three (3) members, all of whom are Non-Executive Directors, with a majority Independent. The Chairman of the Committee is Dato' Haji Johar bin Murat@Murad, an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is responsible for carrying out an assessment of Board's effectiveness in terms of its composition, roles and responsibilities, and whether the Board Committees discharge their functions and duties in accordance with the terms of reference entrusted by the Board. The assessment of the Board takes into account the character, competence, experience, integrity and time availability of each Director as well as their ability to provide pertinent input at meetings and demonstrate high level of professionalism in decision making process. The criteria for Independent Directors' Self-Assessment include the relationship between the Independent Non-Executive Director and the Group and his involvement in any significant transaction with the Group.</p> <p>The Nomination Committee reviews the composition of the Board annually to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.</p> <p>The assessment of the Board, Board Committees (included with Board assessment) and individual Directors was conducted in May 2020, based on a self and peer assessment basis, and the outcome deliberated by the Nomination Committee. The assessment results indicated that all the Board, Board Committees and Individual Directors have discharged their responsibilities effectively and the performance of the Individual Directors showed an average rating of adequate to strong vis-à-vis the needs of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has established a Remuneration Committee ("RC"), comprising three (3) Directors, the majority of whom are Independent Non-Executive Directors. The RC is chaired by the Chief Executive Officer. The RC's key function is to ensure that the Company is able to attract and retain Directors and senior Management of the calibre and quality required to manage the business of the Group. Accordingly, the RC ensures that reward is measurably linked to achievement of business and performance objectives and the remuneration is determined by financial matrices such as the Group's overall performance and achievement of selected financial ratios. The remuneration to individual staff is determined by the performance and contribution of individual staff and the performance and achievement of the respective business unit or department.</p> <p>As such, the RC is tasked to review the remuneration of Executive Directors and Senior Management to ensure that they are remunerated at competitive levels in relation to the achievement of goals and the performance of the Group. The remuneration packages of the Executive Directors and Senior Management are then recommended to the Board for approval. The Board recommends the fees and other benefits to Directors on a yearly basis to the shareholders for approval at the Annual General Meeting in line with the provision of the Company's Constitution. Each individual Director abstains from participating in discussion or voting on decision pertaining to his own remuneration at Board or RC meeting, as the case may be.</p> <p>The Board is aware that pertinent policies and procedures have yet to be formalised in writing, streamlining the remuneration of Directors and Senior Management, and uploaded on the Company's website. These policies and procedures will be developed and formalised in</p>

	writing, taking into consideration the need to provide a transparent and independent process on how the remuneration of Directors and Senior Management is derived.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has established a Remuneration Committee, comprising three (3) Directors, a majority of whom are Independent Non-Executive Directors. Based on the Board Charter, the Company is to assist the Board in relation to:</p> <ul style="list-style-type: none">• Remuneration policies for Directors; and• Remuneration policies for the CEO, CFO and Senior Management. <p>However, the specific terms of reference have yet to be formalised in writing and uploaded on the Company's website.</p> <p>Although the terms of reference were not formalised in writing, the Committee, in their activities, has been focusing on reviewing and recommending to the Board the remuneration of Executive Directors and Senior Management. The recommended remuneration takes into consideration the performance of the Group and the individual business units concerned to ensure that the level and composition of remuneration of Directors and Senior Management considers the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Group's long-term objectives.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.1

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

Application	:	Applied																																																																																				
Explanation on application of the practice	:	<p>Pursuant to the Main Market Listing Requirements of Bursa and in line with Practice 7.1 of the MCGG, the remuneration received by Directors of the Company, on a named basis, from the Group and Company for the financial year ended 31 December 2019 is disclosed as follows:</p> <table border="1"> <thead> <tr> <th colspan="6">Subsidiaries</th> </tr> <tr> <th>Name of Director</th> <th>Salaries (RM'000)</th> <th>Fees (RM'000)</th> <th>Bonus (RM'000)</th> <th>Benefits-in-kind (RM'000)</th> <th>Others (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Ng Wai Pin</td> <td>1,937</td> <td>-</td> <td>737</td> <td>-</td> <td>14</td> </tr> <tr> <td>Dr. Tay Kiang Meng</td> <td>1,130</td> <td>-</td> <td>482</td> <td>-</td> <td>65</td> </tr> <tr> <td>Dato' Haji Johar bin Murat@Murad</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Ng Chee Whye (appointed 31.7.19)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Gerald Chiu Yoong Chian (appointed 31.7.19)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Aaron Sim Kwee Lein (demised)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Dr. Jorg Helmut Holnloser (retired)</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Sub-total</td> <td>3,067</td> <td>-</td> <td>1,219</td> <td>-</td> <td>79</td> </tr> <tr> <th colspan="6">Company</th> </tr> <tr> <td>Ng Wai Pin</td> <td>73</td> <td>79</td> <td>2,971</td> <td>-</td> <td>586</td> </tr> <tr> <td>Dr. Tay Kiang Meng</td> <td>-</td> <td>42</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Dato' Haji Johar bin Murat@Murad</td> <td>-</td> <td>53</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Subsidiaries						Name of Director	Salaries (RM'000)	Fees (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Others (RM'000)	Ng Wai Pin	1,937	-	737	-	14	Dr. Tay Kiang Meng	1,130	-	482	-	65	Dato' Haji Johar bin Murat@Murad	-	-	-	-	-	Ng Chee Whye (appointed 31.7.19)	-	-	-	-	-	Gerald Chiu Yoong Chian (appointed 31.7.19)	-	-	-	-	-	Aaron Sim Kwee Lein (demised)	-	-	-	-	-	Dr. Jorg Helmut Holnloser (retired)	-	-	-	-	-	Sub-total	3,067	-	1,219	-	79	Company						Ng Wai Pin	73	79	2,971	-	586	Dr. Tay Kiang Meng	-	42	-	-	-	Dato' Haji Johar bin Murat@Murad	-	53	-	-	-
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	Ng Chee Whye (appointed 31.7.19)	-	20	-	-	-
	Gerald Chiu Yoong Chian (appointed 31.7.19)	-	-	-	-	-
	Aaron Sim Kwee Lein (demised)	-	31	-	-	-
	Dr. Jorg Helmut Holnloser (retired)	-	20	-	-	-
	Sub-total	73	245	2,971	-	586
	Grand total (Group level)	3,140	245	4,190	-	665
	<i>Note: The remuneration paid to the Executive Directors were in respect of their employment with the Company/Group.</i>					
Explanation for departure :						
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
Measure :						
Timeframe :						

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Remuneration Committee and the Board are of the view that disclosing the top 5 key Senior Management's remuneration on a named basis in bands of RM50,000 according to salaries, bonuses, benefits-in-kind and other emoluments would be disadvantageous to the Group's business interest, given the highly competitive conditions in the industry the Group operates where poaching of executives is commonplace.</p> <p>As an Alternative, the Remuneration Committee and the Board believe that the disclosure of Senior Management's remuneration, that includes the top 5 key Senior Management in the audited financial statements, are adequate as it complies with the requirements of Paragraph 17 of MFRS 124 "Related Party Disclosures". It is the Group's practice to hire the best talents from the geographical regions that the Group operates in. Accordingly, the compensation and benefits packages for Group's Senior Management are structured competitively to attract, motivate and retain talents.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	: Applied
Explanation on application of the practice	<p>The Chairman of the Audit Committee is Dato' Haji Johar bin Murat@Murad (an Independent Non-Executive Director) whilst the Board Chairman is Mr. Ng Wai Pin, who is also the Chief Executive Officer. The roles and responsibilities are clearly designated to enable each of them the time and energy to focus on their remit towards meeting the objectives of the Company. Their key foci based on the roles they play are set out briefly as follows:</p> <ol style="list-style-type: none"> 1) As Chairman of the Audit Committee: <ul style="list-style-type: none"> • Oversees the Group's financial reporting process; • Engages with the external and internal auditors; • Reviews related party transactions and conflicts of interest situations; and • Oversees the Group's enterprise-wide risk management process. 2) As Chairman of the Board: <ul style="list-style-type: none"> • Leads the Board in its responsibilities for the business and affairs of the Company and its oversight of Management; • Oversees the Board in the effective discharge of its fiduciary and supervisory role; • Ensures the efficient organisation and conduct of the Board's function and meetings; • Facilitates the effective contribution by all Directors; • Briefs all Directors in relation to the items on the meeting agenda; • Promotes constructive and respectful relations amongst Board members and between the Board and Management; • Commits the time necessary to discharge effectively his role as Chairman; and • Ensures regular and effective evaluation of the Board's performance.

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	:	A policy requiring the appointment of any former partner of the Company's external auditors as a member of the Audit Committee to observe a 2-year cooling-off period before appointment has been formalised as part and parcel of the Audit Committee's Terms of Reference approved by the Board. There was no such appointment for the financial year under review.	
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>One of the roles and responsibilities of the Audit Committee, based on its Terms of Reference is to consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee also oversees the selection process for new auditors and if an auditor resigns, the Committee investigates the issues leading to the resignation and decides whether any action is required. However, the Audit Committee has yet to formalise in writing pertinent policies and procedures to assess the suitability, objectivity and independence of the external auditor.</p> <p>Although policies and procedures in question have yet to be documented, the Audit Committee, on an annual basis, assesses the suitability, objectivity and independence of the external auditor before recommending to the Board for tabling as a resolution to be voted on by shareholders at the Company's Annual General Meeting. The External Auditors normally provide a written assurance to the Audit Committee that they are independent throughout the conduct of the audit engagement based on the independence criteria of relevant professional and regulatory requirements, for example the By-Laws of the Malaysian Institute of Accountants on Professional Conduct and Ethics. In addition, the Audit Committee has formalised a policy on the provision of non-audit services by the External Auditors and/or their affiliates so as to minimise the threat to their professional independence.</p> <p>The assessment was last carried out in 2019 and the outcome of the assessment of the external auditor, namely Crowe Malaysia PLT, was documented in the Audit Committee minutes of meeting with the voting by shareholders conducted at the last Annual General Meeting of the Company held on 30 May 2019.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board via the Audit Committee will develop pertinent policies and procedures for the assessment of the suitability, objectivity and

	independence of the external auditor with reference to the Corporate Governance Guide 3 rd Edition: Moving from Aspiration to Actualization, which is issued by Bursa Securities.	
Timeframe	:	Choose an item.

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 :	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 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board reviews the terms of office of the Audit Committee ("AC") members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation conducted by the Nomination Committee. The AC members are aware of the need to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation during deliberations.</p> <p>The Chairman and all members of the AC are financially literate. The profile and background of the Audit Committee members are set out below:</p> <p>1. Chairman, Dato' Haji Johar bin Murat@Murad</p> <p>Graduated with a Bachelor degree in Malay Studies from Universiti Malaya in 1971, he has worked in various government agencies, such as the Ministry of Science, Technology & Environment, the Ministry of Finance, the Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Co-operative Development) and Economic Planning Unit of Prime Minister's Department. During his tenure of service in the Ministry of Finance (1996 – 2000), he was a director of the following organisations:</p> <ul style="list-style-type: none">• Yayasan Tun Razak (Tun Razak foundation);• Perbadanan Kemajuan Negeri Selangor (Selangor State Economic Development Corporation);• Majlis Sukan Negara Malaysia (National Sports Council);• Lembaga Pembangunan Labuan (Labuan Development Authority);• Syarikat MKIC Malaysia (Malaysia Kuweity Investment of Malaysia);

- Jawatankuasa Pengurusan Hutan Serantau (Regional Forestry Management Committee); and
- Majlis Penyelidikan dan Kemajuan Sains Negara (National Council of Science and Research Development).

When he was the Deputy Secretary General (Operations) of the Ministry of Science, Technology & Environment from 2000 to 2003, Dato' Haji Johar bin Murat@Murad was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad, SIRIM Berhad, Malaysian Agriculture Research and Development Institute, Malaysia Technology Development Corporation, Composite Technology Research Malaysia Sdn Bhd, Malaysia Design Council and National Science Centre. He was also the Chairman of Audit Committee of MIMOS Berhad and a member of the Board of Tender for MIMOS Berhad and SIRIM Berhad.

2. Gerald Chiu Yoong Chian – Member, Non-Independent Non-Executive Director

He holds a BA (First Class Honours) in Engineering and Master's in Engineering (with distinction), both from the University of Cambridge, United Kingdom. He joined Dymon Asia Capital in 2012, helped establish Dymon Asia Private Equity (“DAPE”), and is a member of DAPE's investment committee. DAPE is focused on making private equity investments in Small and Medium Enterprises (“SMEs”) in South East Asia, and aims to contribute both capital and expertise to the companies it invests in. DAPE's current funds are Fund I (SGD300 million) and Fund II (USD450 million).

3. Ng Chee Whye – Member, Independent Non-Executive Director

He is a Chartered Accountant with the Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree from the University of Canterbury, New Zealand. He began his professional career with KPMG Peat Marwick in Auckland, New Zealand, gaining experience with clients from varied industries. Thereafter, he relocated closer to home to assume varied Senior Finance roles with various IT related entities in Singapore and Malaysia, namely–Hewlett-Packard Singapore (Pte) Ltd, Creative Technology Ltd and–Electronic Data Systems IT Services (M) Sdn Bhd. He subsequently moved on to assume Chief Financial Officer roles with various Wealth Advisory and Fund Management entities at Prudential Fund Management Bhd, AXA Financial Services and Nexus Financial Services Pte Ltd.

Based on the outcome of the Audit Committee's effectiveness assessment, the Board is satisfied with the Audit Committee's performance as its Chairman and members possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the Committee.

	The Audit Committee members continue to apprise themselves of changes in regulatory requirements by attending pertinent course during the financial year under review. For details of the training attended, refer to the Corporate Governance Overview Statement included in the 2019 Annual Report of the Company.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised an Enterprise Risk Management framework ("ERM framework" or "framework") that sets out pertinent policies and guidelines to streamline the Group's risk management initiatives and activities in a structured and holistic manner to safeguard shareholders' investment and the Group's assets. This framework, which encompasses risk management policies and guidelines for adherence by business units across the Group, is largely fashioned after the ISO31000:2009 Risk Management Principles and Guidelines which set out the key principles, framework and process on risk management.</p> <p>The ERM framework embodies a structured risk assessment process, which results in the compilation of specific risk profiles of key business units and companies in the Group by Risk Management Units ("RMUs"), including the semi-annual update of risk profiles to take into account the vagaries of changing business environment as well as emerging risks.</p> <p>The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix deploying parameters established for each key business unit or company in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its corporate objectives.</p> <p>Details of specific risks are recorded in individual risk registers, covering the risk description, root causes, risk consequences, internal controls implemented by Management to address the causes of risk, Management's assessment of the effectiveness of internal controls and the residual risk rating, i.e. the balance of risk after considering the effects of controls deployed to mitigate the risk. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the RMUs to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Audit Committee thereafter briefs the Board the outcome of the risk update, including any significant issues therefrom. For each of the business risks identified, a risk owner is entrusted to ensure appropriate</p>

	actions are taken to mitigate the risk to an acceptable level within specified timeline. The Risk Coordinator of the Group, when reviewing the risk update by business units, enquires into the status of action plans undertaken by Management of the business units concerned and updates the Audit Committee accordingly.	
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><u>RISK MANAGEMENT</u></p> <p>Risk management is embedded in the Group's key business processes through its ERM framework, which provides, amongst others, an easy-to-understand step by step approach to identify and evaluate risks faced by business units and, by extension, the Group. To streamline risk management processes and activities, the Board has formalised in writing risk management policies and guidelines for adherence by business units across the Group. The ERM framework embodies a structured risk assessment process, which results in the compilation of specific risk profiles of key business units and companies in the Group by Risk Management Units ("RMUs"), including the semi-annual update of risk profiles to take into account the vagaries of changing business environment as well as emerging risks.</p> <p>The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix deploying parameters established for each key business unit or company in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its corporate objectives.</p> <p>Details of specific risks are recorded in individual risk registers, covering the risk description, root causes, risk consequences, internal controls implemented by Management to address the causes of risk, Management's assessment of the effectiveness of internal controls and the residual risk rating, i.e. the balance of risk after considering the effects of controls deployed to mitigate the risk. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the RMUs to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Audit Committee thereafter briefs the Board the outcome of the risk update, including any significant issues therefrom. For each of the business risks identified, a risk owner is entrusted to ensure appropriate</p>

actions are taken to mitigate the risk to an acceptable level within specified timeline.

The Risk Coordinator of the Group, when reviewing the risk update by business units, enquires into the status of action plans undertaken by Management of the business units concerned and reports to the Audit Committee accordingly. During the financial year under review, there were two (2) risk updates conducted by the various business units and companies in the Group with the outcome reported to the Audit Committee and the Board for further comments. The business risks as identified encompassed risks on finance, operations, regulatory compliance, reputation, cyber security and sustainability.

INTERNAL CONTROL SYSTEM

The Group's internal control system comprises the following key elements:

- an organisation structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority in approving transactions and activities as well as mandate to operate bank accounts. The structure also sets out clear reporting lines and segregation of duties for key processes like strategic management, operations, sales and collections, procurement and payment, human resource, capital expenditure, research and development, financial reporting, corporate affairs, and investments;
- a process of hierarchical reporting which provides a documented and auditable trail of accountability, with appropriate sign-off by personnel entrusted with the responsibilities;
- an annual budgetary exercise that requires all business units and companies in the Group to formulate financial budgets which are then consolidated into a Group budget, presented to the Board for comments and approval. Quarterly review of the Group's performance against budget is carried out at Board meetings where explanations on significant variances are furnished by Management. Management meetings at operational level are conducted to review financial performance against business plans and monitor the respective business unit's performance against budget;
- significant changes in business development are reported by Management to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group's business performance vis-à-vis its corporate objectives;
- the Audit Committee, which is entrusted by the Board to oversee the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets at least quarterly to review the

	<p>announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;</p> <ul style="list-style-type: none"> • internal policies and procedures on key business processes are formalised in writing for adherence across the Group. These policies and procedures serve as guidance to enable compliance by personnel with internal control requirements and applicable laws and regulations; • structured whistle-blower policies and procedures are formalised in writing to enable employees of the Group to raise genuine concerns about suspected improprieties on matters of financial reporting, non-compliance with laws and regulations, malpractices or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal; and • where issues arise that affect the reliability and integrity of financial information of any business unit, special audits are commissioned by the Audit Committee or Senior Management, as the case may be, to assist the Board in fulfilling its oversight responsibilities. <p><u>ASSURANCE BY THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER</u></p> <p>It is a policy for the Board to obtain assurance from Management on the adequacy and operating effectiveness of the Group's risk management and internal control. For this purpose, the Group Chief Executive Officer and Group Chief Financial Officer provided assurance in writing to the Board stating that the Group's risk management and internal control system operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Report.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group outsourced its internal audit function to an independent internal audit service provider, namely BDO Governance Advisory Sdn. Bhd, to carry out internal audits covering the Group's operations, except for operations in Taiwan which are solely covered by an in-house internal auditor.</p> <p>The principal function of internal audit is to undertake systematic reviews of the governance, risk and internal control systems within the Group in accordance with an internal audit plan approved by the Audit Committee, so as to provide assurance that such systems are adequate and functioning as intended.</p> <p>The internal auditors' responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.</p> <p>For more information about the internal audit function and the scope of work covered for the financial year under review, refer to the Audit Committee Report and Statement on Risk Management and Internal Audit included in the 2019 Annual Report of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>During the financial year under review, the internal audit function was outsourced to an independent professional firm, namely BDO Governance Advisory Sdn Bhd. The appointment of the service provider followed an assessment of its suitability, independence and capability by the Audit Committee.</p> <p>The internal audit team was helmed by 4 professionals from the firm, including the head of the team, for both the internal audit visits to the auditee companies in the Group for the financial year under review.</p> <p>The head of the team, Mr Karthigayan Supramaniam, is a member of the Malaysian Institute of Accountants and the Institute of Internal Auditors, Malaysia, and a Certified Internal Auditor.</p> <p>As a Certified Internal Auditor, the head of the team deploys the International Professional Practices Framework in the conduct of the internal audit assessments as well as in the observance of the attributes by team members, like adhering to the definition of internal auditing, core principles and the code of conduct, which covers, inter-alia, the need to be independent of relationship which may impair objectivity and professional independence of team members.</p> <p>The in-house internal auditor, Miss Kelly Huang, who is an accounting graduate, has a working experience of not less than 20 years covering internal audit, external audit and finance function. Independent of the activities she audits, the in-house internal auditor is tasked to assess the adequacy and operating effectiveness of the system of internal control of Ares Green Technology Corporation (“AGTC”), the Company’s subsidiary helming the Taiwan operation. In carrying out her work, she adopted the internal audit guidelines from the Regulations Governing Establishment of Internal Control Systems by Public Companies issued by Taiwan Financial Supervisory Commission.</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 importance of timely and equal dissemination of material information to the shareholders, stakeholders and public at large. Accordingly, the Board has formalized an internal Corporate Disclosure Policy in compliance with the disclosure requirements set out in the Main Market Listing Requirements of Bursa and has delegated the authority to the Board Chairman to ensure that the Corporate Disclosure Policy is adhered to by Senior Management and the Company Secretaries with respect to disclosure obligations.</p> <p>The Company's website has a section dedicated to shareholders under Investor Relations where shareholders can check on the latest announcements of the Company, press release, media news, share and warrant prices and also to contact the designated person on investor relations matters. The shareholders are also encouraged to subscribe for any news alert of the Company. Alternatively, shareholders may obtain the Company's latest announcements via the website of Bursa Securities at www.bursamalaysia.com</p> <p>As part of the Group's commitment towards the communication with its stakeholders, an experienced member of Management is directly involved in the Group's investor relations activities. The contact information of the designated personnel is made available in the Company's Annual Report to encourage the stakeholders to channel their concerns:</p> <p>Tel.: (03) 7968 3312 Fax: (03) 7968 3316 Email: ir@frontken.com</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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 Company, which is not a Large Company under the definition of Paragraph 2.6 of the Malaysian Code on Corporate Governance, is not required to adopt integrated reporting.	
		To enable stakeholders to make informed decisions, the Company has disclosed in its 2019 Annual Report various statements in accordance with Main Market Listing Requirements of Bursa Securities. These include the Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Audit Committee Statement and Sustainability Statement.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company normally despatches the notice of its Annual General Meeting ("AGM") to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa Securities. The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person or through corporate representatives or proxies. More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p> <p>For the last Annual General Meeting held on 30 May 2019, the notice was issued on 30 April 2019 which was more than the 28 days' notice prescribed in the Practice. The notice provided detailed explanations for each resolution proposed, e.g. re-election of Directors, Directors' fees and benefits, appointment of auditors, extension of Independent Non-Executive Director, etc., to enable shareholders to make informed decisions in exercising their voting rights. On the adoption of a new Constitution in place of the then existing Constitution, a special resolution was specifically identified as such under Special Business together with the explanatory note to explain the reasons for replacing the Constitution.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>At the 15th Annual General Meeting ("AGM"), all the Directors, except for Dr Jorg Helmut Hohnloser who had intended to retire from the Board at the conclusion of the AGM, were present in person to engage directly with shareholders. Amongst the Directors present were the Chairman of the Board and Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee.</p> <p>Moreover, Management and external auditors were in attendance to respond to shareholders' queries.</p> <p>At the AGM, the Chairman, at the commencement of meeting explained to shareholders their rights to be heard and to exercise their voting rights. During the meeting, the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, should they need any clarification, before putting the relevant resolutions to vote by poll.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Company has a relatively small base of shareholders. The last Annual General Meeting of the Company was held at the Company's head office in Petaling Jaya, Selangor, to enable accessibility by the Company's shareholders. Moreover, shareholders have the right to appoint proxy holders to attend the meeting on their behalf. As such, the Board has not applied the process of voting in absentia.</p> <p>Nonetheless, the Board is exploring the feasibility of leveraging technology to facilitate voting in absentia and remote shareholders' participation at General Meetings, considering amongst other the cost-benefit of such facilities, security concerns, etc.</p> <p>The Annual General Meetings of the Company are normally held at its Corporate Office in Petaling Jaya, Selangor. The location is readily accessible by shareholders attending the AGMs. Moreover, shareholders have the right to appoint proxy to attend AGMs, including the ability to cast votes on their behalf.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

**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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