

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0021  
**COMPANY NAME** : GHL SYSTEMS BERHAD  
**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board sets the strategic direction of the Group and ensures effective leadership through oversight of Management and robust monitoring of the activities and performance in the organisation.</p> <p>The Board's leadership, objectives, goals and strategic aims are disclosed in the Annual Report 2018 under '1.2 Roles and Responsibilities' set out in the Statement of Corporate Governance.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The chairman of the Board is Datuk Kamaruddin bin Taib. Further details of Board's and Chairman's responsibilities are set out in Board Charter available in the Company's official website at <a href="http://www.ghl.com">www.ghl.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of the Chairman and the Chief Executive Officer ("CEO") of the Company are held by two different individuals.</p> <p>A clear division of responsibility between the Chairman and the CEO exists to ensure a balance of power and authority as no one individual director has unfettered powers over decision making. Details are available in the Annual Report 2018 '1.3 Chairman and CEO' set out in the Statement of Corporate Governance</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board is supported by an outsourced Company Secretary who facilitates overall compliance with the MMLR and Companies Act, 2016 and other relevant laws and regulations. Details on Company Secretary's responsibilities are available in Annual Report 2018 '1.4 Company Secretary' set out in the Statement of Corporate Governance
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The respective departments within the Group will strive to provide these materials to the Directors seven (7) days prior to the Board and Committee meetings, working within the challenges and constraints of the information gathering process; otherwise, the materials will be provided two (2) days before the meetings while those of a confidential nature will be provided during the Board and Committee meetings.</p> <p>Minutes were kept to record the proceedings at the Board and Committee meetings, the deliberations on the matters at hand and the decisions made thereto, and circulated in a timely manner upon completion of meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's Board Charter, adopted by the Board in 2012 clearly sets out the role, functions, composition, operation and process of the Board, is available at Company's official website at <a href="http://www.ghl.com">www.ghl.com</a>. The Charter ensures that all Directors are aware of their duties and responsibilities as Board members, and acts as a source of reference and primary induction literature for prospective Board members and Senior Management on good corporate governance.</p> <p>The Board Charter will be reviewed periodically to ensure consistency with the Board's objectives and responsibilities, and adherence to the relevant rules and regulations as well as the latest standards or guidelines of corporate governance.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board acknowledges and emphasises the importance for all Directors and employees to embrace the highest standards of corporate governance practices and ethical standards. In view of this, the Board has formalised ethical standards and systems of compliance through the Company's Code of Ethics and Conduct aiming to emphasise the Company's commitment to ethics, compliance with applicable laws and regulations, use of confidential information and retention of records. The Code of Ethics and Conduct is available in the official website at <a href="http://www.ghl.com">www.ghl.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Policy Statement of Whistle-blowing, which serves as an avenue for employees and other stakeholders of the group to raise concerns related to integrity and misconduct issues. Procedures are also in place for investigations and appropriate follow-up actions by the Management.</p> <p>The Company's Whistle-Blowing Policy is available on the Company's official website at <a href="http://www.ghl.com">www.ghl.com</a></p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board currently consists of six (6) members, comprising one (1) Executive Director and five (5) Non-Executive Directors, of whom two (2) are Independent Non-Executive Directors.</p> <p>Based on the review of the Board composition in 2018, the Board, having reviewed its size and composition, is satisfied that its current size and composition is appropriate and adequate to meet the Company's needs.</p> <p>The Board is aware that its current composition is not in line with the desired practice and believes that the independence and objectivity is not compromised as a result of such composition. Independence and objectivity are present and preserved with the current composition in view of the weight given to the opinions of its two (2) Independent Non-Executive Directors which brings balance into its overall decisions. Nevertheless, the Board remains guided by the Principles and Practices of the MCCG in adhering to the best corporate governance practices</p> <p>The Board opines that the lack of at least half of independent Directors in the current Board composition does not jeopardise the Board's independency in deliberations and all decisions are made in the best interest of the Company.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	Notwithstanding the above, the Board functions in a manner that promotes an open environment where the Directors are able to exercise independent judgement and the interests of shareholders are always at the forefront when important decisions are made by the Board. The Board will continuously review the Board composition annually during NRC meetings.
<b>Timeframe</b>	:	Annually

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Adopted
<b>Explanation on application of the practice</b>	:	<p>Currently, the Board does not have any Independent Director whose tenure exceeds a cumulative term limit of nine (9) years.</p> <p>However, if the Independent Director meets the assessment as well as the relevant codes and regulations on independence and retention, and there is strong justification for the Independence Director to continue with his or her tenure, the Board may retain the Independent Director beyond the nine years subject to the approval of Shareholders at the AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	Independent Directors may continue to serve beyond nine years subject to Shareholders' approval at the AGM, provided there is strong justification to retain them and they have been assessed accordingly, including an assessment on their independence.

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board is cognisant of the recommendation on boardroom diversity in MCCG. The appointment of Directors and Senior Management is based on set criteria and merits that are not based on any gender discrimination or preferences.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	Although the Company does not have any boardroom diversity policy, the Board believes that appointment of Directors should not be based on any gender discrimination or preferences, as it is equally important to have the right mix of skills at the Board in order to enable the Board and its committees to carry out its duties effectively. Notwithstanding this, the Company has appointed a female Director (Dato' Chan) onto the Board on 25 June 2018
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	In identifying candidates for appointment of Directors, the Nomination and Remuneration Committee does not solely rely on recommendations from existing Board members, Management or major shareholders. The Board also considers the recommendation from other independent sources to ensure that it is able to identify the most suitable candidates, for example, 30% Club and NIEW Women Directors Registry.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The previous chairman, Mr Fong Seow Kee - Senior Independent Non-Executive Director, had resigned during the year w.e.f. 31 July 2018. The Nomination and Remuneration Committee (NRC) is currently chaired by Datuk Kamaruddin bin Taib, an Independent and Non-Executive Director w.e.f. 31 July 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Stakeholders are able to 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC carried out an annual assessment of the Board and Board Committees as a whole and of each Director. Assessment of the Board as a whole and Board Committees covered four main areas, namely structure, roles and responsibilities, risk management, and standard of conduct. Assessment of each individual Director included their respective skills and knowledge, contribution to business strategies and Group's performance, contribution to Board processes, time commitment, and standard of conduct. In addition, the independence of Independent Directors was assessed based on the criteria set out in the in Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>From the results of the assessments and based on the recommendation of the NRC, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in place a fair and competitive remuneration packages for its Directors and Senior Management in order to attract and retain Directors of an appropriate calibre. Executive Directors' basic salaries are fixed for the duration of their contract. Any revision to the basic salary will be reviewed and recommended by NRC, taking into account the individual and the Company's performance, the inflation price index, the affordability, and benchmarking to the industry's rate.</p> <p>The remuneration of Senior Management comprises primarily of a basic salary component and a variable component which includes bonuses rewarded based on the performance of the Company, the Group as a whole, and individual performance.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	On 8 April 2013, the Board of Directors resolved that the Nomination Committee and Remuneration Committee be combined and renamed as the Nomination and Remuneration Committee.  The Terms of Reference is available on the Company's official website at <a href="http://www.ghl.com">www.ghl.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The breakdown of the Directors' remuneration on named basis for each Director can be found in the Annual Report 2018 under '3.1 Director Remuneration' in the Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the Company's top six senior management personnel's remuneration due to the competitiveness of the industry for key talent.	
		The Board discloses remuneration of Senior Management by providing a breakdown indicating the level and mix of remuneration for each of the top six Senior Management personnel for FY 2018 in bands of RM300,000	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The Board discloses remuneration of Senior Management by providing a breakdown indicating the level and mix of remuneration for each of the top six Senior Management personnel in bands of RM300,000

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The previous Audit Committee chairman, Mr Fong Seow Kee - Senior Independent Non-Executive Director, had resigned during the year wef. 31 July 2018. The Audit Committee is currently chaired by Dato' Chan Choy Lin, an Independent Non-Executive Director, who is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Our Policy Statement on Auditor Independence covers the hiring of personnel of the External Auditor to certain positions that may compromise the arm's length relationship that must exist between the Group and the External Auditor. Any person appointed from the External Auditor in a role where the person has significant influence within the Group (i.e. Director, Chief Financial Officer etc.) is subject to a two years cooling-off period in which the person must not be involve in the Group's audit for two years prior to being appointed.</p> <p>Details of the Policy Statement on Auditor Independence are available on the Company's official website at <a href="http://www.ghl.com">www.ghl.com</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Committee is responsible for the review of the performance, suitability, and the External Auditor independence in fulfilling their responsibilities as set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants as adopted by Malaysian Institute of Accounts, and the Group policy on Auditors Independence by covering the calibre of the external audit firm; quality of processes and performance during the audit; skills, industrial knowledge and objectivity; and their communications with Audit and Risk Committee.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee comprises two (2) Independent Directors and one (1) Non-Independent Director. The Board believes that the current ability of the Audit Committee is sufficient to exercise their judgment in an informed and impartial manner to fulfil the Audit Committee's responsibilities, especially in overseeing the areas of financial reporting, related party transactions and conflicts of interest, internal control environment, internal audit, and external audit processes.

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All members of the Audit Committee are financially literate with one member being a member of the Malaysian Institute of Accountants. Details on the Directors' qualification are available in the Annual Report 2018 under 'Directors' Profile'.  In their effort to keep abreast with the changes in the industry, legislation and regulations affecting the Company, the Directors have during the course of the year attended briefings, conferences and seminars. Details on Directors' training attended during the year are available in the Annual Report 2018 under '2.6 Directors' Training' in the Corporate Governance Overview Statement.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its responsibility for the Group's system of internal controls which covers financial, operational and compliance controls as well as risk management. The Board has delegated to the Audit and Risk Committee the responsibility of reviewing the effectiveness of control procedures and risk management framework; and to report to the Board on all its findings and recommendations for deliberations.</p> <p>The Statement of Risk Management and Internal Control in the Annual Report explain the responsibilities of the Board in risk management and internal control and the key internal control processes.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Statement of Risk Management and Internal Control in the Annual Report explain the features of the risk management and internal control framework as well as the key internal control processes.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has established an internal audit function as a key component of its internal control appraisal process. The Group Internal Audit reports independently to the Audit Committee and is guided by a formalised Internal Audit Charter and The Institute of Internal Auditor’s International Professional Practice Framework.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The GIA is headed by Mr. Liow Tien Chin, whom is a member of Chartered Professional Accountant (CPA) Australia and Chartered Member of The Institute of Internal Auditors Malaysia with more than 10 years of experience in the profession. The GIA department is supported by a reasonable workforce whom possesses the relevant qualification and experience and has adequate resources to fulfil the internal audit plan for the next financial year.</p> <p>Based on the confirmation by the Head of the Internal Audit, the ARC is satisfied that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

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

**Practice 11.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to provide a balanced, clear and comprehensive assessment of the financial performance and prospects in all the disclosure made to the stakeholders and the regulatory authorities.</p> <p>The Group strives to engage stakeholders by listening, providing accurate information, and responding to stakeholders’ interests in a prompt and consistent manner. Annual general meeting, quarterly business reviews and press releases are conducted to ensure that stakeholders are kept abreast of the latest company’s events.</p> <p>In addition, regular briefings are carried out with the fund managers and analysts for better understandings of the operation and financial performance of the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Not Applicable	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's 25 <sup>th</sup> Annual General Meeting is scheduled to be convened on 27 May 2019 and the Notice will be given to the shareholders on 25 April 2019, which is at least 28 days prior to the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All directors attended the Annual General Meeting during the financial year ended 31 December 2018. The Chair of the Audit and Risk Committee as well as the Nomination and Remuneration Committee were present to provide responses addressed to them.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Not Applicable
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The AGM of the Company is always held in Kuala Lumpur and at a place accessible by shareholders.</p> <p>The Company has 5,340 shareholders based on the Record of Depositors as at 31 December 2018, and the number of holders is not large enough to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>Notice of AGM together with proxy form were sent to all shareholders to allow shareholders to vote by proxy, provided that the proxy shall have been appointed by the shareholder himself or by his duly authorised attorney or representative provided further that it is filed at the registered office of the Company for at least 48 hours before the AGM.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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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