

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4057
COMPANY NAME : ASIAN PAC HOLDINGS BERHAD
FINANCIAL YEAR : 31 MARCH 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the stewardship of the Group business and affairs with a view to enhancing long term shareholders' value while taking into account of other stakeholders' interests and maintaining high standards of transparency and accountability.</p> <p>The principal responsibilities of the Board are as follows:</p> <ol style="list-style-type: none">1. Reviewing and adopting a strategic plan of the Group;2. Overseeing the conduct of the Group's business to evaluate, challenge and decide on management proposal and monitoring applications that the business is being properly managed;3. Identifying principal risks and ensuring the implementation of appropriate systems to manage risks;4. Succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing key management;5. Developing and implementing a corporate disclosure policy for the group; and6. Reviewing the adequacy and integrity of the groups internal control systems and management information systems, including systems for compliance with applicable laws, regulations rules directives and guidelines. <p>The Board's roles and responsibilities are governed by the Board Charter which is available at Asian Pac's corporate website www.asianpac.com.my.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.2

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>It is the responsibility of the Chairman to lead and manage the board performance by providing leadership and guidance to the Board.</p> <p>The Chairman:</p> <ul style="list-style-type: none">a) leads the Board including presiding over Board meetings and directing Board discussions and encourages debate on issues and seek views from the Directors on matters requiring decisions of the Board;b) chairs the annual general meeting of Asian Pac and provides responses to holders of Asian Pac on issues raised by them;c) instils leadership in promoting good governance practices and adherence across Asian Pac Group. The Chairman makes sure that relevant board governance are adhered to and there is reasonable interaction between the Boards and Management as part of the effective decision making process.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The position of the Chairman and the Managing Director ["MD"] (Asian Pac has no CEO) are held by two different individuals.</p> <p>The Chairman shall be Independent Non-Executive Director according to Board Charter of Asian Pac. In the event the Chairman is not an Independent Director, the Board shall comprise a majority of Independent Directors.</p> <p>The roles of Chairman are distinguished from MD' roles with clear division of responsibilities as outlined in the Board Charter. Our Board Charter is available at Asian Pac's corporate website www.asianpac.com.my.</p> <p>The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. He also act as a facilitator of Board meetings.</p> <p>The MD is primarily responsible for the stewardship of the Group's direction, business performance and manages the Group in accordance with the strategies and policies to ensure that the highest standard of conduct and integrity is maintained.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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 Secretaries are suitably qualified and competent, as they are members of the professional bodies prescribed by the Minister and are qualified under Section 235(2) of the Companies Act 2016.</p> <p>The key roles of the Company Secretaries are to provide unhindered advice and services to the Directors, as and when the need arises to enhance the effective functioning of the Board and to ensure regulatory compliance. The Company Secretaries update the Board on any changes or amendments to the Companies Act, Bursa Securities Listing Requirements, Capital Market & Services Act and other relevant regulatory requirements. The Company Secretaries are also monitoring the corporate governance development and assisting the Board in applying the corporate governance practice.</p> <p>On a quarterly basis, the Company Secretaries serve notice to the Directors and Principal Officers to notify them of closed periods for trading in the securities of the Company in accordance with Chapter 14 of the Bursa Securities Listing Requirements.</p> <p>The Company Secretaries attend all Board, Committees and General Meetings and ensure that the meetings are properly convened and that accurate and adequate records of the proceedings of the meetings and decisions made were minuted and properly kept.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market, regulatory changes and the development in corporate governance through attending relevant seminars, training and professional development programmes.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Notices of ordinary meetings are sent to the Directors electronically 7 days in advance and the Board papers are made available at least 5 days before the meeting is held, except in the case of an emergency, where reasonable time would suffice. This is to ensure that the Directors can appreciate the issues to be deliberated on, and where necessary, to obtain further explanation.</p> <p>The Board papers include meeting minutes which accurately reflects deliberation and decision of the Board, updates on financial, operational and corporate developments of the Group. Board papers are also presented with details on other issues that may require the Board's deliberation include the approval of corporate plans, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group.</p> <p>Senior management staff may be invited to attend Board meetings, to advise and provide the Board with detailed explanations and clarifications whenever necessary on matters that are tabled.</p> <p>Upon conclusion of the meetings, the Company Secretaries would at their best endeavours to circulate the said minutes in a timely manner. The draft minutes are circulated to Board and Board Committees' members for perusal. The minutes are then confirmed by the relevant chairman at the next meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board's function is guided by Board Charter, which was adopted on 25 May 2016. The Board Charter will be reviewed from time to time and make necessary amendments to be consistent with the Board's roles and objectives, current laws and practices.</p> <p>On 26 February 2018, the Board reviewed the Board Charter where revisions were made to the relevant sections in the Board Charter in accordance with the applicable corporate governance and Companies Act 2016. The revised Board Charter is available on Asian Pac's corporate website at www.asianpac.com.my.</p> <p>The Board Charter outlines the respective roles and responsibilities of the Chairman, Managing Director, Executive Director, Non-Executive Director and Board as a whole together with formal schedule of matters reserved for the Board's deliberation and decision making.</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

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>Asian Pac Board has adopted the Code of Ethics on 25 May 2016 which sets out the standard of behavior and ethical conduct that shall be complied by the Directors. All Directors are expected to behave ethically and professionally at all times to protect and promote the reputation and performance of the Group. This Code of Ethic is set out in the Board Charter.</p> <p>This "Code of Ethics and Conduct" is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:</p> <ol style="list-style-type: none">1. To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person.2. To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a 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

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>Asian Pac has adopted the Whistleblowing Policy on 25 May 2016 which provides and facilitates appropriate communication and feedback channels of misconduct or malpractices between Asian Pac and its employees as well as the stakeholders.</p> <p>The Whistleblowing Policy establishes the channel for employees or stakeholders to report any violations of Code of Conduct, unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements.</p> <p>The Whistleblowing Policy is available on Asian Pac corporate website at www.asianpac.com.my include also the procedure that allow for independent investigation on any improper conduct.</p> <p>The Board will review the Whistleblowing Policy as and when necessary.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The present Board comprises five (5) members, made up of one (1) Managing Director, one (1) Executive Director, One (1) Non-Independent Non-Executive Director and Two (2) Independent Non-Executive Directors, which fulfils the prescribed requirement for at least two or one third of the Board to be independent as stated in the Main Market Listing Requirements (“ MMLR ”).
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is committed to meeting the corporate governance best practice and had vide the Nomination Committee addressed the matter with the objective of increasing the member of Independent Directors.
Timeframe	:	Within 1 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>One of the independent directors of the Board, Tan Sri Dato' Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas, has served more than nine years as Independent Director of the Company.</p> <p>Notwithstanding his extended tenure, the Board has determined that Tan Sri Dato' Seri Hj Megat Najmuddin remain independent and is able to bring wealth of knowledge and experience to the Group. In addition, he provides check and balances in Board proceedings and has retained independence of character and judgement and is able to express his view without any constraints in Board deliberations and Board Committee meetings.</p> <p>Before the Company is able to proceed with the two-tier process, the Company will need to review its Constitution before proposing any amendments to accommodate the unique feature prescribed by Malaysian Code on Corporate Governance ("MCCG") as the prescription is a variation to usual notion of shareholders' voting rights and passing of resolutions. Under MMLR, the Company has until 31 December 2019 to amend its Constitution to be aligned with the Companies Act 2016 and the recent MMLR amendments which was released on 29 November 2017. The Board has taken a stance that it will recommend for the amendments of the Company's Constitution at the AGM of the Company in 2019. This is to provide a buffer time for the Management to be thorough and comprehensive in their review of the Constitution and consider the adoption of other practices that may be applicable for the Company.</p> <p>Given that the two-tier voting has yet to be implemented by the</p>

	Company, the Board recommends that a single-tier shareholders' approval be sought at the upcoming AGM slated in September 2018 for Tan Sri Dato' Seri Hj Megat Najmuddin to continue to act as Independent Director.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will take steps to review the Company's Constitution before proposing any amendments.
Timeframe	:	On or before 31 December 2019

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>Asian Pac has put in place the necessary selection criteria for the appointment of Directors. Through Board Effectiveness Evaluation, the Directors are assessed annually and the findings are consolidated, summarized and tabled to the Nomination Committee (“NC”) for review and endorsement by the Board.</p> <p>All nominees and candidates to the Board are first considered by the NC taking into consideration the mix of skills, competencies, experience, integrity, time commitment and other qualities required to effectively discharge his or her role as director. The NC will then endorse the nominees and candidates for approval by the Board.</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 4.5

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	:	Applied	
Explanation on application of the practice	:	The Board has 2 women directors equivalent to 40% of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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>Currently the selection of candidates to be considered as directors are based on the existing networks and recommendations from the Directors, Management and major shareholders through a selection process facilitated by the NC.</p> <p>The Board is of the opinion that recommendation from existing board members and major shareholder are good for the time being. The NC will evaluate a suitable candidate with the required credentials before recommending for appointment to the Board.</p> <p>The appointment of any additional director is made when deemed necessary by the existing Board with due consideration given to the skills, experience, background, gender, knowledge, integrity, core competencies and commitment (including time commitment) of the candidate that are required for an effective Board. Additionally, in the case of a candidate proposed for appointment as Independent Non-Executive Director, the candidate's independence is a priority consideration.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	In line with the recommendation of the MCCG, apart from referrals from Directors, major shareholders and management, the Board is open to utilising independent sources to identify suitably qualified candidates, where necessary.
Timeframe	:	As and when required

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of NC is Tan Sri Dato' Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas, who is also designated as the Senior Independent Director.</p> <p>During the year, Tan Sri Chairman had led the annual review of Board effectiveness for FYE 2018, in order that independent assessment of the performance of each individual Director as well as of Board as a whole were carried out amongst all the Board Members.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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 Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director.</p> <p>During FYE 2018, Board and Board Committees Evaluation and Directors Self Evaluation ("Board Evaluation") was carried out by the NC based on questionnaires tailor-made for the Company. The Directors have completed the Board Evaluation documents, and have provided their comments and recommendations on board's improvements.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has delegated the Remuneration Committee ("RC") to reward the Managing and Executive Directors of the Company and ensure that the Company's Directors are fairly rewarded for their individual contributions to the Company's performance and the levels of remuneration should be sufficient to attract and retain Directors to run the Company successfully.</p> <p>The Board had empowered the Managing Director to review the performance and remuneration packages of senior management.</p> <p>In setting remuneration packages, the RC shall take into the account of the following:</p> <ul style="list-style-type: none">• pay and employment conditions within the industry and in comparable companies.• the company's performance and the performance of individual directors by virtue of its skills and experience of the director.• No director should be involved in deciding his own remuneration.• Members of the RC have no personal interest in the outcome of their decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health 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	:		
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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 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had in May 2001 set up the RC which comprised exclusively of Non-Executive Directors with majority of independent Directors.</p> <p>The responsibilities of RC include reviewing the performance of, and recommending to, the Board for approving the annual total remuneration packages of the Managing Director and Executive Director. In relation to the review of the performance and remuneration packages of senior management, the Board has delegated the function to Managing Director.</p> <p>The Terms of Reference ("TOR") of the RC was last reviewed in May 2018 and is available at Asian Pac's corporate website www.asianpac.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application :	Applied					
Explanation on application of the practice :	Disclosure of the Directors' Remuneration for FYE 2018 :-					
	<u>Company</u>					
		Fees	Salaries & other emoluments	Bonus	Meeting Allowance	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
	Executive Directors					
	Dato' Mustapha Bin Buang	-	1,565	201	-	1,766
	Dr. Yu Tat Loong	-	-	-	-	-
	Non-Executive Directors					
	Tan Sri Dato' Seri Hj. Megat Najmuddin Bin Datuk Seri Dr Hj. Megat Khas	-	-	-	-	-
	Dato' Mohamed Salleh Bin Bajuri*	27	-	-	3	30
	Tan Siew Poh	58	-	-	5	63
	Soon Dee Hwee	58	-	-	5	63
Total					1,922	

	<u>Group</u>					
		Fees	Salaries & other emoluments	Bonus	Meeting Allowance	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
	Executive Directors					
	Dato' Mustapha Bin Buang	-	1,565	201	-	1,766
	Dr. Yu Tat Loong	-	785	141	-	926
	Non-Executive Directors					
	Tan Sri Dato' Seri Hj. Megat Najmuddin Bin Datuk Seri Dr Hj. Megat Khas	140	-	-	5	145
	Dato' Mohamed Salleh Bin Bajuri*	27	-	-	3	30
	Tan Siew Poh	58	-	-	5	63
	Soon Dee Hwee	58	-	-	5	63
	Total					2,993
	<i>*Dato' Mohamed Salleh Bin Bajuri resigned as Independent Non-Executive Director on 21 September 2017.</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	:	For the purposes of security and to avoid poaching by other organizations, the Board has chosen to disclose the remuneration of the top 5 Key Senior Management in bands instead of named basis as the Board is of the opinion that such information will not add value and understanding towards the evaluation of the Company's standard of Corporate Governance.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will monitor the market practice in respect of such disclosure for future consideration
Timeframe	:	Others

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Chairmanship of both Audit and Risk Management Committee (“ ARMC ”) and Board is assumed by the same person - Tan Sri Dato’ Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas.	
		The Board is of the view that the chairmanship for ARMC will be reshuffled when the appointment of additional Independent Director to fulfil the Practice 4.1 – at least half of the Board comprises Independent Directors.	
<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	:	In the current Board composition, there is no former key audit partner serving as member of the ARMC of the Company. Nevertheless, the Company has revised the TOR for ARMC in May 2018, to include a cooling-off period of at least two years if any former key audit partner is considered as candidate for ARMC in the future.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>Under the TOR of ARMC, the ARMC is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditors.</p> <p>In the evaluation of the external auditor's independence, the ARMC obtained assurance from the external auditor that it has in place robust and comprehensive processes and systems to ensure the independence of its partners and staff of the audits they are engaged in. In addition, the ARMC also obtained confirmation from the external auditors on its independence in accordance with By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.</p> <p>During the financial year, the external auditors attended two (2) ARMC meetings with the Committee to discuss its audit plan, audit findings and their views in respect of the true and fair view of the financial statements of the Company and its subsidiaries; and any key changes to regulatory requirements and latest developments in the accounting and auditing standards. The ARMC also held a separate session with the external auditors without the presence of the executive board members and management whereby the ARMC was briefed by the external auditors on their audit findings and any other observations that they had during the audit process.</p> <p>In terms of provision of non-audit services, whilst the external auditor is not precluded from consideration for the provision of advisory, consultancy or other types of non-audit services, due care is taken in the selection process in order to ensure that the appointment does not impede on the independence, quality and conduct of the statutory audit.</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

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	:	Existing members of the ARMC have experiences and skills in accounting and finance as well as other relevant fields of expertise. All of them are qualified to review the consolidated Financial Statements of Asian Pac prior to recommending the same to the Board for approval.	
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 is responsible for the Group's risk management framework and system of internal control which sets out its risk management strategy, risk structure, risk assessment processes, risk communication and risk monitoring and review.</p> <p>The Board delegated its role on risk management to Risk Management Working Committee ("RMWC") to take charge of the operational risks of the Group. The RMWC comprises Heads of respective Departments of the Group and led by the Financial Controller.</p> <p>RMWC oversees, identifies, evaluates, controls, monitors and reports on the critical risks faced by the Group on an on-going basis, including remedial measures to be taken to address the risk vis-à-vis the risk parameters of the Group to ARMC. The Chairman of RMWC reports to ARMC and brief the Board on its activities and findings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for overseeing the Group's risk management and system of internal controls to safeguard shareholders' investment and the Group's assets, as well as reviewing their integrity, adequacy and effectiveness.</p> <p>In line with the Board's responsibilities, the Board has:</p> <ul style="list-style-type: none">• Determined the Group's level of risk tolerance• Actively identified, assessed and monitored key business risks• Committed to articulating, implementing and reviewing the Group's system of internal control• Periodically evaluated the efficiency and effectiveness of internal control procedures and processes <p>Due to limitations inherent in any system of risk management and internal control, these systems are designed to manage rather than eliminate, the respective inherent risks that exist in achieving the Group's business objectives. Therefore, such systems of risk management and internal control can only provide reasonable, and not absolute assurance against material misstatement, loss or fraud.</p> <p>RISK MANAGEMENT</p> <p>The Board recognises the importance of identifying and managing principal risks of the Group's daily operations and that the identification and management of such risks will affect the achievement of the Group's corporate objectives.</p> <p>As part of the integral process of risk management, the Group's risk management framework is structured in which the existence of significant risks of the Group have been identified, assessed and managed on an ongoing basis.</p> <p>INTERNAL AUDIT FUNCTION</p> <p>The ARMC evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities. Observations from these audits, especially on areas where material internal control deficiencies or lapses have been noted,</p>

	<p>are presented together with Management's proposed action plans and implementation timelines, to the ARMC for its review. The internal audit function also follows up and reports to the ARMC on the status of implementation of the action plans by Management.</p> <p>Further details of the activities of the internal audit function are provided in the Audit and Risk Management Committee Report.</p> <p>INTERNAL CONTROL</p> <p>The key elements of the Group's system of internal controls are described below:</p> <ol style="list-style-type: none"> a) The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of departments are accountable for ensuring the effective implementation of established policies and procedures. b) The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and senior management and to consider and approve measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control. c) The Group has established three lines of defense in managing risks routinely on a daily basis in the following manner: <ul style="list-style-type: none"> • First line of defense by Management and employees • Second line of defense by the oversight functions • Third line of defense by the internal auditors d) An independent internal audit department reports directly to the ARMC on the adequacy of the Group's system of internal controls and to provide reasonable assurance on the effectiveness of the Group's system of internal controls including compliance with policies and procedures. The internal auditors also carried out follow-up reviews on the previous audit reports to ensure that appropriate actions have been implemented to address control weaknesses highlighted. e) The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a regular basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained. f) The Group Managing Director meets with the senior management regularly to review and resolve key operational, financial, personnel and other key management issues, including issues of risks and internal controls. Significant issues are tabled at Board meetings.
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	<p>g) The Group Managing Director meets with the senior management regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.</p> <p>h) Employee training and development programs are conducted to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training, in-house training programs and external training courses.</p> <p>i) Formal job descriptions with key performance indicators have been established for all employees.</p> <p>j) The Group has in place Employee Handbook and Code of Ethics for directors to set the ethical standards for all employees and directors in their dealings with among others fellow employees, customers, shareholders, suppliers, authorities and the community.</p>	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted								
Explanation on adoption of the practice	:	<p>The Company had established Risk Management Committee by combining it with Audit Committee in 2013 and the Audit Committee was renamed as ARMC.</p> <p>The ARMC comprised no fewer than three (3) members with a majority of them being Independent Directors as follows, overseeing and reviewing the risk management of the Group:</p> <table><tr><th>Name</th><th>Designation</th></tr><tr><td>Tan Sri Dato' Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas</td><td>Chairman, Independent Non Executive Director</td></tr><tr><td>Ms Tan Siew Poh</td><td>Member, Non-Independent Non-Executive Director</td></tr><tr><td>Ms Soon Dee Hwee</td><td>Member, Independent Non Executive Director</td></tr></table>	Name	Designation	Tan Sri Dato' Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas	Chairman, Independent Non Executive Director	Ms Tan Siew Poh	Member, Non-Independent Non-Executive Director	Ms Soon Dee Hwee	Member, Independent Non Executive Director
Name	Designation									
Tan Sri Dato' Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas	Chairman, Independent Non Executive Director									
Ms Tan Siew Poh	Member, Non-Independent Non-Executive Director									
Ms Soon Dee Hwee	Member, Independent Non Executive Director									

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit of the Group is carried out by the in-house Internal Audit Department. The Internal Auditors' ("IA") role is governed by the Internal Audit Charter to ensure that its purpose, authority and responsibility, reflect developments in IA's activities and in line with best practices promulgated by internal audit professional bodies. The IA Charter is periodically reviewed and updated once in every five (5) years or as and when necessary due to changes in regulatory requirements. The IA Charter was last reviewed and approved by our ARMC in May 2016.</p> <p>There is no undue limitation by the Internal Auditors on the authority to access to records, assets and personnel of the Company in the performance of audits.</p> <p>During the financial year, there was an appointment of Junior Audit Executive in view of the increasing work load especially in Imago Mall, Kota Kinabalu.</p> <p>For the financial year, internal audit had appropriate provision for training and development in its budget. The IA members are kept abreast of developments in the profession and industry through attendance at numerous external training courses or seminars as well as in-house training to continually improve their competency in accomplishing their tasks efficiently and effectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose—

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is headed by Mr Eugene Foo, a member of the Institute of Internal Auditors Malaysia since 2007 with over twenty years of work experience. He holds a Bachelor's Degree with Distinction in Business (majoring in Business Administration). Eugene is supported by two (2) audit staff. The senior audit staff has over eight years of audit experience and holds a Bachelor's Degree in Business (majoring in Accounting and Law). Whereas, the junior audit staff is a Dean's List Award Winner and holds a Bachelor's Degree with Honours in Finance. The team has experience in numerous industries such as property development, plantation, IT, manufacturing, retail, shipping, trading and construction.</p> <p>The internal audit function is carried out based on the Core Principles and International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors, a globally recognized professional body for internal auditors.</p> <p>The Head of Internal Audit reports directly to the ARMC on activities based on the approved internal audit plan. The IA conduct independent reviews of the Group's system of internal control and risk management with the objective of providing reasonable assurance on its adequacy and effectiveness.</p> <p>All Internal Audit personnel are free from any relationships or conflicts of interests which could impair their objectivity and independence.</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

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 Company strives to maintain an open and transparent channel of communication with its stakeholders. The Company believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders.</p> <p>The Company's website is the key communication channel for the Company to reach its shareholders and general public. Through the Company's website www.asianpac.com.my, the Investor Relations section enhances the investor relation function by including all the announcements made by the Company, financial results, annual reports, corporate calendar as well as shares information.</p> <p>The shareholders and general public may direct any queries on the Company via www.query@asianpac.com.my or write to the Senior Independent Non-Executive Director, Tan Sri Dato' Seri Hj Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas, who was designated by the Company to receive and deal with.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

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

Intended Outcome

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 2017 AGM was held on 6 September 2017. The Notice for the said AGM was issued on 31 July 2017, more than 28 days prior to the date of meeting, allowing sufficient time for the holders of Asian Pac to consider the proposed resolutions tabled at the AGM.</p> <p>In addition, the Notice of AGM of Asian Pac also included details and relevant explanatory notes to the resolutions proposed to enable the shareholders of Asian Pac to make informed decisions in exercising their voting rights.</p> <p>Likewise, the Notice of 2018 AGM for Asian Pac have accompanied details of the resolutions proposed together with explanatory notes for references by the shareholders of Asian Pac.</p> <p>The 2018 Annual Report together with the Notice of 2018 AGM is posted on our Company's website www.asianpac.com.my as soon as it is issued to ensure wider and proper dissemination. Our Annual Report was issued in the form of CD-Rom. Shareholders have the right to request for a hard copy of our Annual Report through the designated channel. The past years' annual reports can be downloaded from our Company's website as mentioned above.</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	:	AGM is a forum for shareholders engagement which provide an opportunity for the shareholders to question directors in person. It has always been the practice for the Chairman to provide ample time for the Q&A sessions and for suggestions and comments by the shareholders to be noted by the management for consideration. At the last AGM held on 6 September 2017, all directors together with the senior management as well as the external auditors were present.	
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

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>All General Meetings of Asian Pac are convened in Kuala Lumpur and resolutions put forth are voted by the members present personally at the said venue of the meeting. All resolutions will be put to vote by poll. Electronic voting is adopted to ensure accurate recording of votes.</p> <p>This Practice 12.3 recommendation to leverage on technology is a new concept introduced and companies would need time to study the availability of such software and hardware as well as writing the programmes to facilitate the mode of voting for large numbers of shareholders of the Company, i.e. 15,542 voters.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The current approach of voting is the norm currently practiced by the listed issuers. For those shareholders who are unable to participate at the general meetings, could submit proxy forms to exercise their votes. The Company will adopt Practice 12.3 when the required infrastructure to facilitate such mode of voting has been put in place.
Timeframe	:	2 to 3 years

**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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