

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7239  
**COMPANY NAME** : Scanwolf Corporation Berhad  
**FINANCIAL YEAR** : June 30, 2019

## OUTLINE:

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

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

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

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

## 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, which assumes responsibility for the Company's leadership, is collectively responsible for meeting the objectives and goals of the Company. The Board recognizes the key role it plays in charting the strategic direction of the Company and has undertaken the following principal responsibilities in discharging its fiduciary and leadership functions:</p> <ul style="list-style-type: none"><li>• Reviewing the strategies, business plans and significant policies for the Company. Such strategies, business plans and significant policies will be presented by the management via its executive directors during board meetings.</li><li>• Monitoring corporate performance and the conduct of the Group's business and ensuring compliance to best practices and principles of corporate governance.</li><li>• Establishing, approving, reviewing and monitoring the Company's risk appetite and comprehensive risk management policies, processes and infrastructures. Thereafter, identifying and implementing appropriate systems to manage such risks. The Board undertakes this responsibility through the Audit Committee which presents these risk management activities during the Audit Committee meetings.</li><li>• Reviewing the adequacy and integrity of the Company's internal control and management information systems.</li><li>• Considering and evaluating emerging issues which may be material to the business and affairs of the Company.</li><li>• Ensuring that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company's management.</li><li>• Ensuring that there shall be unrestricted access to independent advice or expert advice at the Companies expense in furtherance of the Board's duties whether as a Board or a director in his or her individual capacity.</li></ul>

The Company's Board Charter defines the specific duties and responsibilities of the Board which can be found at the Company's website at [www.scanwolf.com](http://www.scanwolf.com).

The Board Charter is subject to periodic review to ensure that it continues to be relevant and applicable as a reference to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company.

The Board, in discharging its fiduciary duties and responsibilities has appointed the following board of committees with specific terms of reference to assist the Board :-

- a) Audit Committee ("**AC**");
- b) Nomination Committee ("**NC**"); and
- c) Remuneration Committee ("**RC**").

The activities of each Committee are set out in the Corporate Governance Overview Statement ("**CG Overview Statement**") of the Annual Report 2019.

While the responsibility for monitoring the effectiveness of the Group's risk management and internal control systems has been delegated to the AC, the Board retains ultimate responsibility for determining the Group's "risk tolerance".

Every director has taken proactive actions to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company. This includes attending trainings and briefings and receiving updates on the latest Companies Act 2016, Malaysian Code on Corporate Governance ("**Code**") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") as the Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their knowledge to enable them to carry out their roles effectively as directors in discharging their responsibilities towards corporate governance, and other operational and regulatory issues. The Directors are also briefed by the Company Secretary on the latest letters and circulars issues by Bursa Securities at every scheduled Board meeting.

During the financial year ended 30 June 2019, all Directors had attended appropriate training programmes to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of the developments in the marketplace. The details of the trainings / seminars attended by Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2019.

The Board ensures that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

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

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman plays a pivotal role in ensuring the effectiveness of the Board by providing leadership to the Board in ensuring that the Board carries out its functions effectively, manages the interface between Board and Management. Additionally, the Chairman ensures orderly conduct and proceedings of Board meetings by leading the discussions at our Board meetings and ensure that relevant matters are included in the meeting agenda alongside allocating sufficient time for discussions.	
<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 Chairman of the Company is an Independent Non-Executive Director and the Company does not appoint Chief Executive Officer currently.</p> <p>The Group has a clear distinction and separation of roles between the Chairman and the Executive Directors, with clear division of responsibilities in order to ensure a clear balance of power between the Chairman and the Executive Directors.</p> <p>The Chairman leads the Board in its collective oversight of management, while the Executive Directors are primarily responsible for the day-to-day management of the Group. Executive Directors are responsible for developing the business direction of the Group, ensure that the business strategies and policies are effectively implemented and to explain, clarify and inform the Board on matters pertaining to 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

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 experienced, competent, and knowledgeable Company Secretaries who are qualified to act as Company secretary under Section 235(2) of the Companies Act 2016.  The Company Secretary advise the Board on the issues relating to the Company's constitution, Malaysian Code on Corporate Governance, Companies Act 2016 and Listing Requirements of Bursa Malaysia Securities Berhad.  The Board obtained appropriate advice and services, if necessary, from Company Secretary to ensure adherence to Board meeting procedures and compliance with regulatory requirements.	
<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>Meeting materials alongside with the meeting agenda and the relevant papers submitted by management are issued and circulated in time for the members of the Board and Committees at least seven (7) days prior to each meeting.</p> <p>The meetings of the Board and the board committees are properly minuted and circulated to all Board members.</p> <p>All Board members / board committees' members reviewed and confirmed the minutes of the meetings to ensure they accurately reflect the deliberations and decision of the Board, including whether any Director abstained from voting or deliberation on a particular matter. The signed board minutes are kept at the Company's minutes book.</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>	:	The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. The Board Charter is subject to periodic review to ensure that it continues to be relevant and applicable as a reference to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. On this, the Board has on 28 May 2019 reviewed its Board Charter. The Board Charter can be accessed at the Company's website at <a href="http://www.scanwolf.com">www.scanwolf.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 3.1

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 Company's Codes of Conduct and Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Conduct and Ethics for Directors includes principles relating to corporate governance; conflict of interest; relationship with employees; shareholders and business partners; social responsibilities and environmental commitment; compliance with laws, rules and regulations and dealings in securities are available at the Company's website.
<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>	:	The Company acknowledges the importance of policies and procedures on whistleblowing and thereby, set out a Whistleblowing Policy to delineate whistleblowing procedures as an independent feedback avenue for employees and stakeholders to raise matters of concern in good faith and without fear of reprisal should they require to use the available whistleblowing channels.  The details of the procedures are set out within the Whistleblowing Policy.
<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>	:	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 4.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	As at 30 June 2019, the Board comprises of four (4) are Independent Directors, three (3) are Non-Independent Directors and one (1) non-independent alternate director to Dato' Loo Bin Keong. The Independent Directors constitute 57.14% of the Board. The Board composition also complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.2**

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

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

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	To maintain the best interest of the Company, diversity within the Board, Senior Management and all levels of the organization is applied. In line with this, the Board and Senior Management are appointed based on merit, mix of skills, competencies, experience, professionalism and other relevant qualities which involve age and cultural background to have better governance in the Group.	
<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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>At present, the Company maintains a gender diversity policy which encapsulates the objectives, principles and measures of the Group's diversity culture. The Board is supportive in upholding gender diversity within the boardroom and the Management with due consideration on merited factors, such as, skills, experience, attitude and suitability of any potential candidates.</p> <p>Hence, as part of the Company's succession planning, gender diversity objectives will constantly be observed by the Company even without any specific targets determined. Additionally, the Board will look into the scope and measures of the policy on a regular basis, in ensuring its on-going effectiveness and applicability.</p> <p>The Group does not establish any specific targets for appointment of female Directors in the policy. Nonetheless, the Group shall actively pursue towards identifying suitable female candidates as and when a vacancy arises, as part of recognizing the objectives of maintaining a balanced Board structure.</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>	:	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>	:	The Company has in place, its procedures and criteria for identifying candidates for appointment of directors. All candidates for appointment are first considered by the Nomination Committee, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities to manage the Company.	
<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>	:	Dato' Ong Boon Aun @ Jaymes Ong, Independent Non-Executive Director chairs the Nomination 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

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 Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.</p> <p>The Nomination Committee has developed criteria to assess the effectiveness of the Board and individual Director. The evaluation on the Board's effectiveness is divided into four sections on the following key areas:-</p> <ul style="list-style-type: none"><li>• Adding value</li><li>• Conformance</li><li>• Stakeholder Relationship</li><li>• Performance management</li></ul> <p>The process also assesses the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.</p> <p>The Nomination Committee also undertakes annual assessment of the independence of its independent directors based on required mix skills, criteria of independence as per requirements of Main Market Listing Requirements, meeting attendance, ability to ensure effective checks and balances on the Board's decision making process, constructively challenge business propositions and contributes to the development of business strategy and direction of the Company, ensures that adequate systems and controls to safeguard the interests of the Company are in place and continuous updating of knowledge and enhancing of skills through attendance of business related trainings.</p> <p>The Nomination Committee and the Board was satisfied with the current composition of the Board and Board committees as well as the</p>

	performance of the Directors and independence of the Independent Directors.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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 Group has established a Remuneration Committee to develop remuneration strategies that drive performance and provide levels of reward which reflect the performance of the Executive Directors and key senior management. Hence, all remuneration related matters of the Directors and key senior management are presently subjected to the oversight and management of the Remuneration Committee.</p> <p>Procedures, such as assessing and recommending the remuneration packages for Directors and key senior management, and other relevant tasks are currently carried out by the Remuneration Committee prior to the necessary reporting to the Board.</p> <p>A remuneration policy in stipulating guidance over the administration of matters related to remuneration within the Company is in place.</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>	:	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

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>	:	<p>At present, the RC consists of three (3) Independent Non-Executive Directors, which meet the recommended practice of having a full composition of Non-Executive Directors as members.</p> <p>The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration. During the financial year under review, the Committee met 2 times attended by all members.</p> <p>The Board as a whole approves the remuneration of the Executive Directors with the Directors concerned abstaining from the decision in respect of their remuneration.</p> <p>The Remuneration Committee has written Terms of Reference which deals with its authority and duties. The Terms of Reference of Remuneration Committee is available at the Company's website at <a href="http://www.scanwolf.com">www.scanwolf.com</a>.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<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 details of the Directors' remuneration for the financial year ended 30 June 2019 including fees, salaries, bonus and other emoluments are disclosed in Corporate Governance Overview Statement of the Annual Report 2019.	
<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 top five senior management's remuneration for the financial year ended 30 June 2019 are disclosed in Corporate Governance Overview Statement of the Annual Report 2019.	
		The Board is of the view that the disclosure in accordance with the recommendation of Practice 7.2 is not in the best interest of the Company and has decided to depart from the recommendation in order to alleviate valid concerns on the confidentiality of remuneration packages and given the competitiveness in the employment environment.	
<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>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee is Mr Ong Sing Guan who is an Independent Director whereas the Chairman of the Board is Dato' Ong Boon Aun @ Jaymes Ong.	
<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>Presently, none of the members of the Board were former key audit partners of the Company's external auditors. Hence, no former key audit partner is appointed to the Audit Committee.</p> <p>Nevertheless, the Board has updated within its External Auditor Assessment Policy to stipulate that no former key audit partner shall be appointed as a member of the Audit Committee unless he/she has observed a cooling-off period of at least two (2) years before the appointment.</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>	:	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

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee has formalised a policy which stipulates the procedures to assess the suitability, objectivity, and independence of external auditors which encompasses consideration of the nature and extent of non-audit services provided external auditors alongside the appropriateness of the level of fees.</p> <p>During the year, the Audit Committee conducted an annual assessment of the external auditors based on the following key areas: -</p> <ul style="list-style-type: none"><li>• Calibre of External Audit Firm</li><li>• Quality Processes / Performance</li><li>• Audit Team</li><li>• Independence and Objectivity</li><li>• Audit Scope and Planning</li><li>• Audit Fees</li><li>• Audit Communications</li></ul> <p>Additionally, the said policy stipulated circumstances under which contracts for the provision of non-audit services could be entered into and procedures that must be followed by the external auditors. During the year, the external auditors reported the details of the non-audit services rendered which includes the review of the Statement on Risk Management and Internal Control, review of interim financial information of the Group, agreed upon procedures on Housing Development Accounts and taxation services.</p> <p>Furthermore, the external auditors provided a confirmation to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>On 28 August 2018, an annual assessment on the suitability and independence of external auditors was conducted by the Audit Committee. The Audit Committee, having assessed the independence of external auditors for the financial year ended 30 June 2018, was satisfied with their competency, suitability and independence. The Audit Committee has recommended their re-appointment to the Board, upon which shareholders' approval has been obtained at the Twelfth Annual General Meeting.</p>

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee of the Company comprises solely of Independent Non-Executive Directors.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The members of the Audit Committee possess the necessary skills to discharge their duties and are financially literate. The profiles of the members of the Audit Committee are provided in the Annual Report 2019.</p> <p>The training programs that the members of the Audit Committee have attended during the financial year ended 30 June 2019 are disclosed in the Annual Report 2019.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible to maintain a sound and effective system of risk management and internal control in order to safeguard the interest of the Company and its stakeholders. As such, the Board regularly reviews the adequacy and effectiveness of these systems in supporting the Company's strategy and operations to achieve any targeted objectives.</p> <p>In order to be effective in discharging these responsibilities, the Board is assisted by the Audit Committee which functions as an oversight body to review controls and systems in general and to carry out on-going assessment over the adequacy and effectiveness of the risk management and internal control practices within the organisation.</p> <p>In addition to the abovementioned, the Board is supported by the Management in developing, implementing and monitoring practices for identifying and managing risks. This is added with the role of the Management to provide assurance that the necessary control practices are adhered and carried out accordingly based on stipulated policies and framework.</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>	:	<p>During the year, an assurance is provided by the Executive Directors and Chief Financial Officer that the Group's risk management and internal controls have been operating adequately and effectively, in all material aspects, during the year under review to the Board. Taking into consideration this assurance during the Board's assessment of the Group's risk management and internal control, the Board is of the view that the systems of internal control and the risk management is considered adequate for the Group's business operations.</p> <p>The Statement on Risk Management and Internal Control as set out in the Annual Report, which has been reviewed by the External Auditors of the Company provides the key elements and overall state of the internal control and risk management framework of the Group.</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 9.3 - 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>	:	<p>As disclosed within the Terms of Reference of the Audit Committee, one of the primary responsibilities of the Audit Committee is to administer the review and assessment of the Company's internal audit function.</p> <p>The internal audit function is currently outsourced to an external professional firm/service provider who reports directly to the Audit Committee, i.e. by providing independent and objective reports on the state of internal control of the various operations within the Group and the extent of compliance on established policies and procedures.</p> <p>The Audit Committee has on 28 August 2018 carried out an assessment on the performance of the outsourced internal audit function and has reported such assessment to the Board.</p> <p>Details of the internal audit function and activities relevant to the discharge of the Audit Committee's responsibilities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report of the Company's Annual Report 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 10.2

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 Company's internal audit function is outsourced to Finfield Corporate Services Sdn Bhd. The internal auditors on the Engagement Team are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The number of staff deployed for the internal audit reviews ranges from 2 to 3 staff per visit including the Engagement Director.</p> <p>The Engagement Director is Mr Tan Yen Yeow who has diverse professional experience in internal audit and risk management. He is a Member of the Institute of Internal Auditors Malaysia and a member of the Malaysian Institute of Accountants.</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 believes that effective communication fosters better understanding of the Group's objectives and financial performance. In order to promote effective communication with the Company's stakeholders, information/results are made available through timely announcements and disclosure, executed via the Bursa Malaysia Securities Berhad's website, the Company's webpage, press releases and annual reports in line with the disclosure requirements of Main Market Listing Requirements.</p> <p>Additionally, the Company emphasises on providing a principal platform for dialogue and interactions with stakeholders, i.e. primarily its shareholders, through its Annual General Meeting. The Annual General Meeting serves as a principal forum for dialogues with individual shareholders as it provides shareholders the opportunity to ask questions about the proposed resolutions or about the Company's operations in general.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	This recommended practice is not applicable for the Company.	
		This recommended practice is not applicable for the Company, as it is not classified as a “Large Company”.	
<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>	:	<p>The Company ensures the adherence of the stipulated period of issuance for notice of Annual General Meeting, in which all the notice of Annual General Meeting and related circulars are provided at least 28 days in advance to enable shareholders to make adequate preparation.</p> <p>In addition to sending the notice, the Company also advertised in one (1) nationally circulated English daily newspaper as well as published the notice of Annual General Meeting on its website and the information still remains on its website.</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

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 the Directors of the Company attend General Meetings in order to engage directly with shareholders and to take up any relevant questions which are related to matters that fall under the purview of the Board Committees or Board, unless unforeseen circumstances preclude them from attending General Meetings.  At the Twelfth Annual General Meeting of the Company held on 27 November 2018, all the Directors attended the Annual General Meeting accordingly.  The shareholders present at the Annual General Meeting were invited to ask questions about the resolutions being proposed at the Annual General Meeting before putting them to vote by poll.	
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company does not have a large number of shareholders and conducts its general meetings at a well-established and convenient location on a consistent basis.</p> <p>The Company sends out Notice of General Meeting within appropriate and considerate timeframe in order to give shareholders ample preparation time. For circumstances whereby shareholders are not able to attend the meetings physically, they are entitled to appoint representatives or proxy(ies) to represent on their behalf.</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>	:		

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

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

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