

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7249  
**COMPANY NAME** : EWEIN BERHAD  
**FINANCIAL YEAR** : 31 DECEMBER 2017

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has set the Company's Vision and Mission on the corporate's website at <a href="http://www.eweinberhad.com">www.eweinberhad.com</a>.</p> <p>The Company mission is to exceed customers' expectations by consistently delivering products, services and experiences of unparalleled value.</p> <p>The Board also established core values of:</p> <ol style="list-style-type: none"> <li>1) Mutually beneficial</li> <li>2) Approach with diligent/ Manage with diligent</li> <li>3) Seek truth from facts</li> <li>4) Ideal remoulding/ Breaking through conventional</li> <li>5) One-for-all, All-for-one</li> <li>6) Never give up</li> <li>7) Step into society/ Step into public</li> <li>8) Embrace market</li> </ol> <p>These core values form the basis of the right work ethics, conduct and behaviour which all employees must adopt in order for the Group to achieve its Vision and Mission. The Board further ensures that these values are propagated and operationalised through the establishment of various internal policies.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Chairman of the Board, Dato' Khor Ah Hua @ Khor Choo Fong was re-designated to Chairman on 31 May 2016, who is responsible to instilling the good corporate governance practices, leadership and composition of the Board. The relevant practices have been stated in the Board Charter as published in the corporate's website.</p> <p>In addition, the Chairman cultivates a healthy working relationship with the Group Managing Director and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to all the stakeholders.</p> <p>The Chairman's profile can be found in Annual Report 2017.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Chairman of the Company- Dato' Khor Ah Hua @ Khor Choo Fong CEO/Group Managing Director- Dato' Ewe Swee Kheng	
<b>Explanation for departure</b>	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary provides support to the Board in fulfilling its fiduciary duties and leadership role in shaping the Corporate Governance ("CG") of Ewein Group. In this respect, he plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislations. The Company Secretary also supports the Board in managing the Group Governance Model to ensure its relevance and effectiveness.</p> <p>The Company Secretary ensure that deliberations at Board and Board Committee meetings are well documented.</p> <p>The Company Secretary constantly keeps himself abreast of the evolving capital market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes. He has also attended the relevant continuous professional development programmes. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its functions.</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 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board with assistance of Company Secretary takes responsibility for ensuring that the members of the Board receive relevant, accurate, and clear information on a timely basis in respect of the Group's financial and operational performance.</p> <p>In order to provide for detailed discussion of the respective matters within a reasonable and sufficient time, the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevancy and importance.</p> <p>The Chairman with the assistance of the Company Secretary ensures that clear and accurate minutes of board meetings which include each decision made, and any significant concerns are maintained. The Company Secretary also ensures that the approved minutes of meetings are circulated to the Board members in a timely manner.</p> <p>Meeting materials are circulated to the Board and Board Committees' members, 7 days prior to the meetings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has a board charter and published on the corporate's website. The board charter clearly stated the role and composition of the Board, Chairman, Managing Director, Audit Committee, Nominating Committee and Remuneration Committee.</p> <p>The board charter also mentioned effective audit and risk management, transparency of financial reporting and corporate social responsibilities.</p> <p>Details of board charter has been published on the corporate's website at <a href="http://www.eweinberhad.com">www.eweinberhad.com</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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>	:	<p>The Group has a Code of Ethics and Conduct (the "Code of Ethics") to ensure the correct operations of Ewein Group of Companies' businesses and related activities with a view to safeguard its image and reputation.</p> <p>Pursuant to the Code of Ethics, the Group's employees are required to uphold the highest standard of integrity in discharging their duties and in dealing with the stakeholders, customers, fellow employees and regulators.</p> <p>A copy of the Code of Ethics is available on corporate's website at <a href="http://www.eweinberhad.com">www.eweinberhad.com</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established whistleblowing procedures in the Company's website to mentioned important mechanism in the prevention and detection of improper conduct, harassment or corruption in the conduct of its businesses and operations.</p> <p>Ewein Group is committed to the protection of genuine whistleblower against detrimental action taken in reprisal for the making of protected disclosures. The Group will take all reasonable step to protect the identity of the whistleblower, in ensuring reprisal are not made against a whistleblower.</p> <p>Method to disclose suspected improper activity or detrimental action is published on the corporate's website at <a href="http://www.eweinberhad.com">www.eweinberhad.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	Composition of the Board of Directors:  Independent Directors 1) Dato' Khor Ah Hua @ Khor Choo Fong 2) Mr. Tan Yen Yeow 3) Mr. Eric Lim Seng Keat  Non-independent Directors 1) Dato' Ewe Swee Kheng 2) Mr. Chuah Poh Lim 3) Ms. Chan Gooi Yew 4) Ms. Ewe Lay Khim  The Board is seeking suitable candidate to be Independent Director of the 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

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>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	The Nominating Committee upon its assessment carried and is satisfied that Dato' Khor Ah Hua @ Khor Choo Fong (Dato' Khor) has satisfactory demonstrated that he is independent from the management and free from any business dealings with the Group that could be perceived to interfere in his exercised of independent judgement. The Board took note of recommendation of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") but immediate compliance with the said recommendation posed a disadvantage to the Company in terms of losing an experienced independent director who over the years had contributed to the effectiveness of the Board as a whole. Nevertheless, Dato' Khor will be seeking shareholders' approval on his re-appointment as Independent Director at the forthcoming Annual General Meeting. In view thereof, the Board recommends and supports his re-appointment as Independent Non-Executive Director of the Company at the forthcoming 12th Annual General Meeting of 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 4.3 - 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>	:	The Board have selected the best candidate who fit the position as required, with consideration the skills, experience, age, cultural background and gender of the candidate.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is also mindful of the recommendation of the MCCG 2017 to have at least 30% women decision-makers in the Board. However, the Board does not have a specific policy on setting targets for female candidates. Currently, there are two female directors on board, Ms Ewe Lay Khim and Ms Chan Gooi Yew.	
		The Board is taking steps to identify women candidate for appointment to the Board.	
<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>	:	<p>The Board delegates to the Nominating Committee the responsibility to establish a formal and transparent procedure for the nominating and appointment of new Directors to the Board. Such responsibilities include screening, conducting initial selection of internal and external candidates, performing requisite evaluation and assessment on the candidates' ability to discharge their duties effectively and efficiently, prior to making recommendations to the Board for its approval. The Nominating Committee also ensures candidates possess the appropriate skills, core competencies, experience and integrity to effectively discharge his or her role as a director.</p> <p>The Board take note of the guidance to utilise independent source for future appointments of future candidates.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

**Practice 4.7**

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>	:	Chairman of Nominating Committee is Mr. Tan Yen Yeow, an Independent Non-Executive Director.	
<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 Nominating Committee reviews the composition of the Board Committee in accordance with the terms of reference of the Board Committees. The Committee also reviews annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual director through the annual assessment questionnaire completed by each director. In determining candidates for appointment to the Board Committees, various factors are considered, including the time commitment of the Board Committee members in discharging their role and responsibilities through attendance at their respective meetings, their performance and contribution to the achievement of the Board Committees' goals and objectives, possession of the attributes, capabilities and qualifications considered necessary or desirable for committee service and demonstration of independence, integrity and impartiality in decision-making.</p> <p>The Nominating Committee is empowered to assess the effectiveness of the Board, its committees, including Audit Committee, contributing of each individual Director, performance evaluation, assessment of independent of independent Director and performance evaluation for the Audit Committee where carried out annually. The areas covered are as follows:-</p> <ul style="list-style-type: none"><li>(i) Directors' performance evaluation</li><li>(ii) Assessment of performance of independent Director</li><li>(iii) Performance evaluation for the Audit Committee</li><li>(iv) Directors mix of skills, experience which contributed to the Board.</li></ul> <p>The results indicated the Board as a whole was effective as well as the contribution of each individual Director. The Nominating Committee and the Board also expressed satisfaction with the independence and performance of present Independence Directors of the Company.</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Presently, the Company does not have formalised remuneration policies and procedures for Directors and senior management.	
		The remuneration policies and procedures for Directors and senior management is subject to further deliberation by the Remuneration Committee and the Board.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has a Remuneration Committee ("RC") that responsible in recommending the remuneration framework for the Directors as well as the remuneration package of Executive Directors. The Executive Directors are to abstain from deliberation and voting on the decision in respect of their own remuneration package. Currently, the RC consists majority of Non-Executive Directors.</p> <p>The RC's Terms of Reference is available on the Corporate's website at <a href="http://www.eweinberhad.com">www.eweinberhad.com</a>.</p> <p>The RC reviews the remuneration packages of the Executive Directors, and recommended to the Board for approval, to ensure their remuneration packages is sufficiently attractive and is able to retain and motivate Executive Directors to run the Company successfully.</p> <p>All the Independent Non-Executive Directors are entitled to the Directors' fees and meeting allowances for attending Board and Board Committee meetings. The proposed Directors' fees and Directors' benefits are subject to shareholders' approval at general meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	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 7.1

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Ewein is a "Non-Large Company" of the MCCG 2017, the Board has taken best effort to comply with the provisions and applied the main principles of the MCCG 2017. The Board is of opinion that disclosure of directors' remuneration on named basis is not encouraged as a precautionary measure of confidentiality, security and retainability of the directors.</p> <p>The Board has disclosed directors' remuneration in group basis and categorises in certain bands basis in page 27 of the Annual Report 2017.</p> <p>The Board will evaluate on the amount of the details to be disclosed in its ensuing Annual Report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	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 7.2

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>	:	<p>The top senior management's remuneration for year 2017 is disclosed as per below table:</p> <table border="1"><thead><tr><th>Remuneration</th><th>Number of Senior Management</th></tr></thead><tbody><tr><td>RM50,000-RM100,000</td><td>6</td></tr><tr><td>RM100,001-RM150,000</td><td>1</td></tr></tbody></table> <p>The Board is of opinion that disclosure of senior management's remuneration on name basis is not encouraged as a precautionary measure of confidentiality, security and retainability of the senior management.</p> <p>The Board via Remuneration Committee ensures that senior management's remuneration is link to corporate and individual performance and commensurate with their scope of responsibilities. In addition to this, the remuneration package is structured to be able to attract, retain and motivate senior management to manage the business of the Group and to align to the interest of the Directors and the shareholders.</p>	Remuneration	Number of Senior Management	RM50,000-RM100,000	6	RM100,001-RM150,000	1
Remuneration	Number of Senior Management							
RM50,000-RM100,000	6							
RM100,001-RM150,000	1							
<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>	:	Chairman of the Audit Committee is Mr. Tan Yen Yeow, an Independent Non-Executive Director. Chairman of the Board of Directors is Dato' Khor Ah Hua @ Khor Choo Fong, an Independent Non-Executive Director.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Although the Audit Committee does not have policy that recommend under this Practice 8.2, the Board has never appointed any former key audit partner as a member of the Audit Committee.	
		The Board will review the Terms of Reference of the Audit Committee to include the requirement that a former key audit partner would need to observe a cooling-off period of at least two years before appointed as a member of the Audit Committee.	
<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>	:	This practice has already been incorporated into the Terms of Reference of the Audit Committee that it meets with External Auditors at least twice a year to discuss and review of their audit plans, scope of audit and audit reports as well as their professional fees. The Audit Committee will review the appointment and re-appointment of External Auditors and to assess the performance and independency of the External Auditors on annual basis. The External Auditors is expected to report their findings to the Audit Committee and to discuss with the Board of Directors on matters that necessitate the Board's attention. The existing auditors had confirmed to the Audit Committee in writing 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.
<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>	:	Currently the Audit Committee comprised solely of Independent Directors: Mr. Tan Yen Yeow (Chairman) Dato' Khor Ah Hua @ Khor Choo Fong (Member) Mr. Eric Lim Seng Keat (Member)

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All Audit Committee members are aware of the need to continuously develop and increase their knowledge in the area of accounting and auditing standards, given the changes and development in this area from time to time. In line with this, the Audit Committee members have made continuous effort in keeping themselves abreast of relevant developments by attending trainings in accounting and auditing standards, practices and rules.
<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 takes cognisance of its overall responsibility in establishing a sound risk management and internal control system as well as reviewing its adequacy and effectiveness.</p> <p>In this respect, the Board has established a governance structure to ensure effective oversight of risks and controls in the Group. It is assisted by the Risk Management Committee ("RMC") and Audit Committee to oversee all matters with regard to risks and controls.</p> <p>Further details on the state of the Group's risk and internal controls during FY2017 can be found in the Statement on Risk Management and Internal Controls in the Annual Report 2017.</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>The Group through the management meetings between the Deputy Managing Director and head of departments, identifies and manages any operational risks faced by the Group. The Board has received assurance from the Managing Director and Group Finance Manager that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system adopted.</p> <p>The Board is of the view that the risk management and internal control system put in place during financial year and up to the date of approval of this statement is sound and adequate to safeguard shareholders' investment, other stakeholders as well as the Group's assets. The Board remains committed to strengthen the risk management and internal control environment of the Group.</p> <p>The Group has engaged an independent professional consulting firm ("the Internal Auditors") to carry out its internal audit functions. The Internal Auditors had conducted an assessment of the risks applicable to the operating subsidiaries of the Group. Risks are assessed in terms of their likelihood and impact to the organisation. In addition, the Internal Auditors had conducted internal audits on four of its operating subsidiaries. Arising from the audit performed, the Internal Auditors highlighted to the Management certain areas for improvement. The Internal Auditors had also presented their reports to the Audit Committee for deliberation. In turn, the Audit Committee had also reported to the Board of Directors the internal audit findings, the recommendations for improvements and the response from Management thereto.</p> <p>The Board is of the view that there were no significant breakdowns or weaknesses in the system of internal controls of the Group that resulted in material losses incurred by the Group for the financial year ended 31 December 2017 and the internal control system in place is effective up to the date of approval of this statement. The Group will continue to take the necessary measures to ensure that the system of internal controls is in place and functioning effectively in all material aspects.</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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Risk Management Committee consists of:</p> <p>Chairman of Risk Management Committee- Mr. Tan Yen Yeow- Independent Non-Executive Director</p> <p>Members of Risk Management Committee:</p> <ol style="list-style-type: none"><li>1) Ms Ewe Lay Khim- Non-Independent Non-Executive Director</li><li>2) Mr Eric Lim Seng Keat- Independent Non-Executive Director</li></ol> <p>The Risk Management Committee is responsible for formulating policies and frameworks to identify, measure, monitor, manage and control the material risk components impacting the businesses. The effectiveness of the risk management system is monitored and evaluated on-going basis.</p>

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has engaged an independent professional consulting firm to carry out its internal audit functions. The internal auditors have highlighted certain areas of improvement. The Audit Committee had also reported to the Board the internal audit findings, the recommendation for improvements and the response from the Management, and ensure the internal auditors is functioning independently.	
<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>Currently, the internal audit functions of the Company have been outsourced to Messrs. JWC Consulting Sdn. Bhd. as independent internal audit service provider.</p> <p>The internal audit personnel are not related to any of the Directors of the Company and have no conflict of interest with the Company. At least 3 internal audit personnel are assigned by JWC Consulting Sdn. Bhd. to the internal audit and Ms. Joyce Wong is the person responsible for the internal audit. She is a member of Institute of Internal Auditors Malaysia, Malaysian Institute of Accountants and Certified Practising Accountants, Australia. The internal audit is carried out in accordance with International Professional Practices framework, issued by the Institute of Internal Auditors Inc.</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>	:	Communication with stakeholders has been achieved through following platform: 1) Investor relation function in corporate's website; 2) Announcement in Bursa Malaysia website; 3) Through general meeting; 4) Organising investor, analyst and media briefing; if any.	
<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>	:	Not applicable.	
		The Company is not a Large Company as defined by Malaysian Code of Corporate Governance 2017.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Notice of Annual General Meeting (“AGM”) is issued to shareholders at least 21 days prior to the AGM.	
		21 days’ notice period is in accordance with the Company’s constitution (Article 78(1) of the Articles of Association as adopted before the commencement of the Companies Act 2016) and Paragraph 7.15 of Main Market Listing Requirement.	
<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 12.2**

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>	:	<p>All the Directors of the Company attended the 11<sup>th</sup> Annual General Meeting (“AGM”) of the Company held on 29 May 2017.</p> <p>The Board took note that the presence of all Directors in the AGM will provide opportunity for shareholders to effectively engage each Director. Besides, having the chair of the board subcommittees present facilities these conversations and allow shareholders to raise questions and concerns directly to those responsible.</p> <p>Barring any unforeseen circumstances, all Directors as well as the Chairman of respective Board Committee (i.e. Audit Committee, Nominating Committee and Remuneration Committee) will present at the forthcoming AGM of the Company to enable the shareholders to raise questions and concerns.</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 12.3**

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 location of the General Meetings has always been held in the Penang at locations which are accessible by public transport. The upcoming 12th AGM will be held at Evergreen Hotel, Penang. The said hotel has ample parking space.</p> <p>A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at the AGM is by poll.</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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