

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7033  
**COMPANY NAME** : KUMPULAN H & L HIGH-TECH BERHAD  
**FINANCIAL YEAR** : 31 OCTOBER 2018

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

Application	Applied
Explanation on application of the practice	<p>The Board of Directors ("<b>Board</b>") of Kumpulan H &amp; L High-Tech Berhad (the "<b>Company</b>") upholds its responsibility in governing, guiding and monitoring the long-term performance of the Company and its subsidiaries ("<b>Group</b>") and for overseeing the Group's strategy and monitoring its operation which include taking into consideration the long term interests of all stakeholders, including shareholders, employees, customers, business associates and the communities in which the Group and the Company conducts its business.</p> <p>The Directors understand that the responsibility for good corporate governance rests with them and therefore strive to apply the broad principles and specific recommendations on structures and processes as stated in the Malaysian Code on Corporate Governance ("<b>MCCG</b>").</p> <p>The Board is active in developing and implementing the Group's strategies, monitoring and reviewing the Group's performance.</p> <p>The Board assumes the following specific duties:</p> <ul style="list-style-type: none"> <li>a) Establishing and reviewing the strategic direction of the Group;</li> <li>b) Overseeing and evaluating the conduct of the Group's businesses;</li> <li>c) promote good corporate governance culture;</li> <li>d) Identifying principal risks and ensuring that risks are properly managed;</li> <li>e) Establishing a succession plan;</li> <li>f) Ensuring the existence of a good investor relations programme and effective shareholder communication; and</li> <li>g) Reviewing the adequacy of the internal controls and implementation of sound framework of internal controls and risk management.</li> </ul>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

**Intended Outcome**

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

**Practice 1.2 – Chairman of the Board**

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>	Mr Tan Lye Huat is the Chairman of the Board and the roles and responsibilities of the Chairman are stated in the Board Charter which is available on the Company's website, <a href="http://www.hlhightech.com">www.hlhightech.com</a> .
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**Intended Outcome**

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

**Practice 1.3 – Chairman and CEO**

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

<b>Application</b>	Departure
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	<p>The Board is mindful of the dual role of Chairman and Managing Director held by Mr Tan Lye Huat and is of the view that there are sufficient experienced and independent-minded Directors on the Board to provide sufficient check and balance. Currently there are four (4) experienced Independent Directors representing more than 60% of the Board, the Board collectively would be able to function independently of management. This allows for effective oversight of the management as well as to support objective and independent deliberation, review and decision making.</p> <p>Mr Tan Lye Huat is the founder of the Company and thus he has considerable experience in the Group's business and provides leaderships to the Board in considering and setting the overall strategies and objectives of the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**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 Company Secretary**

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>Ms Wong Wai Foong, Ms Yap Sit Lee and Ms Ng Bee Lian are the Company Secretaries of the Company. Their competency level and continuous professional development are fulfilled.</p> <p>The Board members have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries advise the Board on the Company's constitution, Board's policies and procedure and compliance with the relevant regulatory requirements, codes or guidance and legislations.</p> <p>The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory books kept at the registered office 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**

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>Minutes of the Board's and Board Committees' meetings are circulated for all the Board's and Board Committees' members for comments and are confirmed and duly signed by the respective Chairman as correct record of the said meeting(s).</p> <p>All members of the Board are supplied with information in a timely manner. Board reports and papers are circulated in advance prior to Board's and Board Committees' meetings to enable Directors to obtain further information and explanations, where required, before the meetings. The meeting papers and notice of the Board's and Board Committees' meetings are circulated to the Board members at least five (5) days before the meeting.</p>
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.  
There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

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

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

<b>Application</b>	Applied
<b>Explanation on application of the practice</b>	<p>The Board Charter serves as a primary reference point on governance matter as well as a guideline for the roles and responsibilities of the Directors and the Board Committees.</p> <p>The Board of the Company regards corporate governance as vitally important to the success of its business and is committed in ensuring that the principles of good governance are applied in all of the Group's dealings.</p> <p>The objectives of the Board Charter are to ensure that all Directors are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct, and that the principles and practices of good corporate governance are applied in all their dealings in respect and on behalf of the Company.</p> <p>The Board Charter is regularly reviewed by the Board as and when required. The Board Charter was last reviewed by the Board on the Company's website at <a href="http://www.hlhightech.com">www.hlhightech.com</a>.</p> <p>The roles of the Board Committees are further detailed in the respective Committees' Terms of Reference, which are also available at the Company's 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**

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 Company has put in place the Code of Ethics and Conduct for the Directors and employees of the Group which is published on the Company's website.</p> <p>The Board and all employees are guided by the Group's core values and policies, as well as relevant regulatory requirements and standards which regulate appropriate conduct and ethics within the Group. The Group has established the above policies and procedures to provide direction and guidance to all Directors, Senior Management, employees and external parties in the discharge of their duties and responsibilities that will be in the best interest of the Group.</p> <p>The Code of Ethics and Conduct is regularly reviewed by the Board as and when required.</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 Company has formalised a Whistle Blower Policy to provide a clear line of communication and reporting of concerns for employees at all levels.</p> <p>The Whistle Blower Policy is made available on the Company's website and is subjected to periodic reviews by the Board.</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>	Applied
<b>Explanation on application of the practice</b>	The Board currently consists of one (1) Executive Chairman, one (1) Executive Director and four (4) Independent Non-Executive Directors (“INEDs”).  Majority of the Board members are INEDs.
<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>	Applied – two tier voting
<b>Explanation on application of the practice</b>	<p>Mr Chu Kan, Ms Rita Tai Lai Ling and Mr Hau Hock Khun were appointed to the Board on 2 September 1997, 23 June 2009 and 5 August 2009 respectively as Independent Directors. They have therefore served on the Board for more than nine (9) years.</p> <p>The Company sought shareholders' approval at the previous Annual General Meeting held on 28 March 2018 to retain Mr Chu Kan, Ms Rita Tai Lai Ling and Mr Hau Hock Khun as Independent Directors.</p> <p>The Company had, at the previous Annual General Meeting, adopted two-tier voting process for retaining Mr Chu Kan, who has served as an Independent Director for more than 12 years, as an Independent Director 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**

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 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 4.4 – Diversity of Board and Senior Management**

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>	<p>The current Board consists of Directors from diverse background and specialisation, collectively bring with them a wide range of experience and expertise in areas such as business, corporate finance, legal, information technology and operations.</p> <p>The Board has adopted a Diversity Policy which set out the approach to diversity on the Board and workforce of the Group.</p> <p>The Board conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives.</p> <p>In sourcing for suitable candidates when the need arises, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience.</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 4.5 – Gender Diversity**

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>	<p>Currently, the Board consists of two (2) female out of a total six (6) Board members.</p> <p>The Company does not have a specific target for female Directors on the Board. However, suitably qualified female candidates who can contribute to the diversity of the Board, will be considered for appointment in the event that vacancies for Directors arise or when a decision is made to increase the size of the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**Intended Outcome**

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

**Practice 4.6 Appointment of Directors**

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>In considering candidates for directorship, the Nomination Committee (“NC”) does not solely rely on recommendations from existing board members, management or major shareholders. The NC would take into account the following:</p> <ul style="list-style-type: none"> <li>a) skill, knowledge, expertise, experience;</li> <li>b) professionalism;</li> <li>c) integrity; and</li> <li>d) the ability to discharge such responsibilities and functions as expected from a director.</li> </ul> <p>The Company would consider other variety of approaches and independent sources to identify suitable candidate for appointment of Directors.</p> <p>During the financial year 2018, the Company did not appoint any new Board member.</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 – Nominating Committee**

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

<b>Application</b>	Applied
<b>Explanation on application of the practice</b>	The Nominating Committee is chaired by Mr Hau Hock Khun, an INED 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

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

### Practice 5.1 Annual Evaluation

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

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

Application	Applied
Explanation on application of the practice	<p>The Board through the NC conducted board assessment and evaluation on an annual basis.</p> <p>The evaluation was conducted through questionnaires circulated to the Board prior the NC Meeting covering various aspects pertaining to:-</p> <ul style="list-style-type: none"><li>• The effectiveness of the Board as a whole and the effectiveness of the Board Committees;</li><li>• The character, experience, integrity and competence of the Directors, and to ensure they have the time to discharge their respective roles;</li><li>• The mix of skills and experience of each individual Director including the core competencies of the Non-Executive Directors; and</li><li>• The level of independence of the INEDs.</li></ul> <p>The Board was satisfied with the results of the annual assessment and that the current size and composition of the Board is well balanced with the right mix of skills.</p> <p>Based on the evaluation on the effectiveness of the Board Committees of the Company, the NC assessed and concluded that the three (3) Board Committees namely AC, NC and RC have discharged their respective functions effectively during the financial year ended 31 October 2018.</p> <p>The INEDs of the Company have fulfilled and complied with the criteria of independence under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>") and the NC viewed that they continue to demonstrate their independence through their engagement in meetings, providing objective challenge to the Management and bringing independent judgment to decisions made by the Board.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

**Intended Outcome**

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

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

**Practice 6.1 Remuneration Policy**

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 Board, via the Remuneration Committee ("<b>RC</b>"), implements the policies and procedures to determine the remuneration of Directors and senior management.</p> <p>The remuneration packages of the Executive Directors and senior management is structured in a way to link rewards to the performance of the Company as well as individual performance.</p>
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**Intended Outcome**

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

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

**Practice 6.2 Remuneration Committee**

The board has a Remuneration Committee ("RC") 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>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<p>The RC was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. The RC comprises solely of INEDs.</p> <p>Full details of the functions and duties of the RC are stated in its Terms of Reference which is available on the Company's 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**

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 Disclosure of Directors' Remuneration**

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 remuneration of Directors for the financial year ended 31 October 2018 is disclosed in the Annual Report 2018: <ul style="list-style-type: none"><li>• on a named basis; and</li><li>• segregated by component e.g. Directors' fees, salary, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on estimated money value.</li></ul>
<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 Senior Management's Remuneration**

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

<b>Application</b>	Departure
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	The Board had decided not to disclose the details of senior management's remuneration packages. The Board considers the information of the remuneration of senior management to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's effort in retaining executive talents.
<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 7.3 - 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 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**

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 Chairman of the Audit Committee**

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 Board is Mr Tan Lye Huat, while the Audit Committee (" <b>AC</b> ")'s Chairman is Mr Chew Yock Fat, an INED.
<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>The AC has incorporated the policy that requires a former key audit partner to observe a cooling-off period of at least two years prior being appointed as a member of the AC in its Terms of References which is available on the Company's website.</p> <p>The Company has never appointed any former key audit partners as a member of the Board.</p>
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

The Audit Committee ("AC") 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 Board had adopted the policies and procedures to assess the suitability and independence of the External Auditors.</p> <p>The Board, through its AC maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the AC for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as on their remunerations.</p> <p>The AC assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.</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 application of the practice</b>	The AC comprised four members, all of whom are INEDs.
<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 8.5**

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>	<b>Applied</b>
<b>Explanation on application of the practice</b>	<p>All members of the AC are financially literate and are able to understand matters under the preview of the AC including the financial reporting process.</p> <p>The Chairman of the AC, Mr Chew Yock Fat, is a qualified Accountant and was a member of Malaysian Institute of Accountants. He has decades of experience in various senior roles in Finance and Accounting.</p> <p>During the financial year 2018, all the Directors had participated in various training programs. The details of the training are disclosed in the Annual Report 2018.</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 Risk Management and Internal Control**

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 for maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.</p> <p>To discharge these responsibilities, the Board is assisted by the AC in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management.</p> <p>The Board is supported by the Management in developing, implementing and monitoring sound practices for identifying and managing strategic, financial and operational risks and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within 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 9.2**

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

<b>Application</b>	Applied
<b>Explanation on application of the practice</b>	The key features of the Company's risk management and internal control framework, which covers their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the 2018 Annual Report.
<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 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**

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 – Internal Audit**

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>The Group's internal audit function is carried out by an outsourced internal audit firm, NGL Tricor Governance Sdn Bhd ("<b>NGL Tricor</b>").</p> <p>The scope of work is proposed by NGL Tricor and they report directly to the AC.</p> <p>The AC had performed an annual assessment of NGL Tricor and was satisfied with the adequacy of the scope, functions, competency and resources of NGL Tricor and that it has the necessary authority to carry out its work.</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.

Application	Applied
<b>Explanation on application of the practice</b>	<p>All internal audit personnel assigned by NGL Tricor for the internal audit of the Group had made written declaration that they do not have any relationship or conflict of interest with the Group, which could impair their independence and objectivity for internal audit assignments performed during the financial year ended 31 October 2018.</p> <p>Four staff have been assigned by NGL Tricor to provide internal audit services for the Group during the financial year ended 31 October 2018.</p> <p>The person responsible for NGL Tricor is Mr Chang Ming Chew, a director of NGL Tricor. Mr Chang's qualifications and memberships with professional associations includes Certified Internal Auditor of the Institute of Internal Auditors; professional member of the Institute of Internal Auditors Malaysia; member of the Association of Chartered Certified Accountants (UK); and member with the Malaysian Institute of Accountants.</p> <p>NGL Tricor performed their work by referring to a recognized framework such as International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors.</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 Company strives to promote a better understanding of the Group through investor relation activities.</p> <p>Apart from general meetings, the Company has put in place the following initiatives to facilitate effective communication with its shareholders:</p> <ul style="list-style-type: none"> <li>(a) the Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the AC, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control;</li> <li>(b) various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website;</li> <li>(c) attending to shareholders' and investors' emails and phone enquiries; and</li> <li>(d) the Company's website for information on Board Charter, annual reports, quarterly report announcements, press releases, and other corporate information.</li> </ul> <p>The website also provides Investor Relations contact for shareholders to direct their queries or concerns to.</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>	Not applicable
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	Not applicable as the Company is not a Large Company under the definition of the MCCG.
<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 12.1**

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

<b>Application</b>	Applied
<b>Explanation on application of the practice</b>	The Company had issued more than 28 days' notice for its Annual General Meeting held on 28 March 2018.
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

**Intended Outcome**

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 Directors will attend General Meetings and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending the General Meetings.</p> <p>At the previous Annual General Meeting held on 28 March 2018, all Directors attended in person to address questions or issues raised by shareholders.</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>	Departure
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	The Company's general meetings are not held at remote locations. The general meetings have always been held at a venue which is easily accessible. Shareholders who are unable to attend the general meetings may appoint any person(s) as their proxies to attend, participate and vote on their behalf at the general meetings.
<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.*

*Not applicable*