

## **CORPORATE GOVERNANCE REPORT**

STOCK CODE : 0175

COMPANY NAME : HENG HUAT RESOURCES GROUP BERHAD

FINANCIAL YEAR : 31 MARCH 2020

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 TO 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 responsibilities of the Board of Directors of Heng Huat Resources Group Berhad are set out in the Board Charter which has been approved by the Board. The Board Committees' roles, duties and responsibilities in discharging their functions are defined in their respective Terms of Reference which are set out in the Board Charter.</p> <p>Further details are set out in the Corporate Governance Overview Statement in the Annual Report 2020.</p> <p>The responsibilities are set out in the Board Charter which is accessible on the Company's website.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 1.2**

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The responsibilities of the Chairman of the Board are set out in the Board Charter. Further details are set out in the Corporate Governance Overview Statement in the Annual Report 2020.</p> <p>The responsibilities are set out in the Board Charter which is accessible on the Company's website.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 1.3**

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

Application	:	Applied.
Explanation on application of the practice	:	<p>Dato' H'ng Choon Seng is the Group Managing Director. There is a clear and distinct division of responsibilities between the Chairman and the Group Managing Director.</p> <p>Currently, the Company has not appointed a Chairman but is reviewing the suitability of candidates for this position.</p> <p>The responsibilities are set out in the Board Charter which is accessible on the Company's website.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 1.4**

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

Application	:	Applied.
Explanation on application of the practice	:	<p>Miss Ooi Yoong Yoong is the Company Secretary of the Company.</p> <p>The Company Secretary is responsible for ensuring that the Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied.</p> <p>The Company Secretary also advises the Board on issues relating to the Company's Constitution, corporate governance best practices, and compliance with laws, rules and regulatory requirements.</p> <p>During the year, all Board meetings were properly convened, and the proceedings were accurately recorded. In addition, all resolutions passed were forwarded to the Secretary and properly recorded in the Company's minute book.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 1.5**

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board are provided with sufficient information, material and time to go through. The notices of meetings and meeting materials are sent to the Directors at least 5 business days in advance before the meeting</p> <p>All proceedings of the meetings including issues raised, deliberations and decisions of the Board, including the Directors who abstained from deliberating or voting, are recorded in the minutes of meetings. The draft minutes of meetings are circulated in a timely manner upon conclusion of the meetings.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 2.1**

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

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

Application	:	Applied.
Explanation on application of the practice	:	The Company has in place a board charter which is accessible on the Company's website.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 3.1**

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

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

Application	:	Applied.
Explanation on application of the practice	:	The Company has in place a Business Code of Conduct and Ethics which is accessible on the Company's website.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.



**Intended Outcome**

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

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

**Practice 3.2**

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

Application	:	Applied.
Explanation on application of the practice	:	The Group had in place a whistleblowing and Anti-Corruption and Bribery policy which is available on the company's website.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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.

Application	:	Applied.
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	<p>As at financial period ended 31 March 2020, our Board composition consists of 4 members, comprising of 2 Executive Directors and 2 Independent Non-Executive Director. Subsequently, our board composition revise from 4 member into 5 members, comprising of 2 Executive Directors and 3 Independent Non-Executive Directors.</p> <p><u>Remark</u> The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements, which requires at least 2 Directors or 1/3 of the Board, whichever is the higher, to consist of Independent Non-Executive Directors.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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 9 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 9 years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the 12<sup>th</sup> year, the board should seek annual shareholders' approval through a two-tier voting process.

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

**Intended Outcome**

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

**Practice 4.3**

The board has a policy which limits the tenure of its independent directors to 9 years.

Application	:	Not adopted
Explanation on application of the practice	:	Even though the Board does not have a policy which limits the tenure of its Independent Directors to 9 years.  As at current, no Independent Director has served on the Board for more than 9 years.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 4.4**

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

Application	:	Applied.
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	<p>The candidate for appointment to the Board as Directors is selected after taking into consideration number of different aspects, such as professional experience, business experiences, skill, knowledge, gender, age, ethnicity and education background, requirement under the MCCG and other relevant experience for the effective discharge of the Board's responsibilities.</p> <p>The candidate for appointment to the senior management is based on objective criteria, experience, age, culture background and gender and other relevant experience for the effective discharge of the duty.</p> <p>The nomination Committee is delegated with the responsibility of assessing and considering and recommending to the Board, suitable candidate for appointment as Board of Director.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 4.5**

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

Application	:	Departure.
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	<p>The Board is of the view that the selection of candidate for the Board should be dependent on the candidate's skills, experience, integrity, character, commitment and other qualities in meeting the requirements of the Company regardless of gender.</p> <p>Female representative will be considered when suitable candidates are identified for the support of company's objective.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Departure.
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	Should there be any new appointment, the Nomination Committee will rely on varied sources from recommendations from existing Board members or major shareholders as well as independent sources.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 4.7**

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

Application	:	Applied.
Explanation on application of the practice	:	The Chairman of the Nomination Committee is Ho Whye Chong who is an Independent Non-Executive Director .
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.



**Intended Outcome**

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

**Practice 5.1**

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

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

Application	:	Applied.
Explanation on application of the practice	:	The assessment was conducted annually. Nomination Committee conducted and undertook the evaluation to assess the Board, Board Committees and each individual Directors. The evaluation was conducted using Director Self-Assessment form. Thereafter, the results of the evaluation and recommendations were tabled to the Board.  The recommendations are disclosed in the Corporate Governance Overview Statement in the Annual Report 2020.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 6.1**

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

Application	:	Applied.
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	<p>The Board has developed a Remuneration Policy on the remuneration of Directors and Key Senior Management employees. The Board is aware that a fair remuneration is critical to attract, retain and motivate its directors and Key Senior Management employees.</p> <p>The RC is delegated by the Board to review the remuneration packages of Directors and Key Senior Management employees.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 6.2**

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

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

Application	:	Applied.
Explanation on application of the practice	:	The Company has in place a Remuneration Committee Term of References which is accessible on the Company's website.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 7.1**

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

Application	:	Applied.
Explanation on application of the practice	:	The details of the Directors' remuneration for financial period ended 31 March 2020 is disclose under Corporate Governance Overview Statement in the Annual Report 2020.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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 5 senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	The Company does not comply with the recommendations to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis due to privacy purpose, and possible negative impact arising from the disclosure.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	The Company disclosed the remuneration include salaries, bonus, social contribution and benefit-in-kind.
Timeframe	:	No propose timeline

**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**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not adopted.
Explanation on application of the practice	:	The Company has disclosed the aggregate remuneration (including salaries, bonus, allowances, benefits-in-kind or other emoluments) paid or estimated to be paid to the key Senior Management members for the financial period ended 31 March 2020 in the Corporate Governance Overview Statement which provides an indication of the remuneration paid to Senior Management.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

Application	:	Applied.
Explanation on application of the practice	:	The Chairman of the Audit Committee is not the Chairman of the Board and is an Independent Director.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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 2 years before being appointed as a member of the Audit Committee.

Application	:	Applied.
Explanation on application of the practice	:	The policy had been incorporated into the term of references for Board reference.  The Company has in place Audit Committee Term of References which is accessible on the Company's website.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

Application	:	Applied.
Explanation on application of the practice	:	The Audit Committee annually assesses the external auditors and recommends their re-appointment subject to shareholder's approval at the annual general meeting.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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**

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied.
Explanation on application of the practice	:	The committee is made up exclusively of Independent Director.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The members of the AC collectively have the necessary skills related to finance, banking, commerce and et-cetera in order to meet their responsibilities and provide an effective level of challenge to management.</p> <p>As stated in the “Continuing Education of Directors” under Corporate Governance Overview Statement in the Annual Report 2020, all the AC members constantly received ongoing training and development to keep themselves abreast with the latest development and changes to regulatory requirements, and to ensure they are equipped with relevant knowledge and skills to discharge their duties more effectively.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 9.1**

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

Application	:	Applied.
Explanation on application of the practice	:	The Group has in place an internal control framework to identify and assess the risks faced by the Group and thereafter, to implement and monitor appropriate internal controls to manage and mitigate those risks.  The framework put in place and disclose at Company's Annual Report 2020.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 9.2**

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

Application	:	Applied.
Explanation on application of the practice	:	The key features of the Risk Management Framework are set out in the Statement on Risk Management and Internal Control as presented in the Annual Report 2020.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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**

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

Application	:	Applied.
Explanation on application of the practice	:	The Board oversees the risk management framework of the Group through the Risk Management Committee (“RMC”). The RMC advises the Board on the key risks area and the adequacy and integrity of risk management policies and framework within the Group.  The RMC comprises a majority of Independent Non-Executive Directors.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 10.1**

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

Application	:	Applied.
Explanation on application of the practice	:	<p>As stated in the “Internal Audit Function” section in Audit Committee Report in the Annual Report 2020, the internal audit function is outsourced to YYC Advisors Sdn Bhd (YYC), who reports directly to the AC.</p> <p>The outsourced internal audit function is independent of the activities and operations of the Group. All the internal audit personnel providing this outsourced service are also free from any relationships or conflicts of interest.</p> <p>The responsibilities are set out in the AC Term of References which is accessible on the Company’s website.</p>
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

### **Intended Outcome**

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

### **Practice 10.2**

The board should disclose:

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

Application	:	Applied.
Explanation on application of the practice	:	All the internal audit personnel providing this outsourced service are free from any relationships or conflicts of interest. Auditing activities are guided by the International Professional Practices Framework.  The information on the Internal Audit function is available in the Statement on Risk Management and Internal Control in the Annual Report 2020.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.



**Intended Outcome**

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

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

**Practice 11.1**

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

Application	:	Applied.
Explanation on application of the practice	:	The Company has in place an investor relations function. All communications with analysts, investors and media briefings are channeled through the investor relations unit.  The Company also keeps stakeholders informed of the Company's performance via the quarterly financial reports, the Annual Report and audited financial statements.
Explanation for departure	:	Not applicable.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

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

**Practice 11.2**

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

Application	:	Applied.
Explanation on application of the practice	:	Not applicable.
Explanation for departure	:	Not applicable as the Company is not a Large Company under MCCG.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 12.1**

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

Application	:	Applied.
Explanation on application of the practice	:	28 days' notice period is given in respect of the Company's 9 <sup>th</sup> forthcoming Annual General Meeting ("AGM") to be held on 30 September 2020.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**Intended Outcome**

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

**Practice 12.2**

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

Application	:	Applied.
Explanation on application of the practice	:	All directors are committed to attend General Meetings to foster effective two-way communication between the shareholders and the Board and will take any relevant questions addressed to them unless illness or other pressing commitments preclude them from attending General Meetings.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**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

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

Application	:	Applied.
Explanation on application of the practice	:	The Company's general meetings have always been held at a venue which is easily accessible.  Shareholders are entitled to appoint proxy/proxies to vote on their behalf in their absence at general meetings.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the column below.		
Measure	:	Not applicable.
Timeframe	:	Not applicable.

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO 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 B is not applicable to our Group.