

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0160
COMPANY NAME : HIAP HUAT HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 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 CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible in providing the overall governance, stewardship and oversight for the direction and management of the Group. The Board sets out the strategic directions and objectives, formulating the policies and executing the key strategic action plans of the Group. The Board regularly reviews the Group's business operations, management performance and also ensure the necessary resources are in place.</p> <p>In the Group, the Board and the Senior Management work cohesively to formulate and to implement the Group's business strategy. The respective roles and responsibilities of the Board and management team are clearly set out and understood to ensure accountability and ownership by both parties. The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the Senior Management.</p> <p>The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.</p> <p>The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.</p> <p>The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.</p> <p>The roles and responsibilities of the Board are set out in the Company's Board Charter and the Board Committees' roles and responsibilities in discharging its function which had been delegated by the Board are set out in respective Board Committee's Terms of Reference.</p>

	<p>The principal roles and responsibility assumed by the Board are as follows:</p> <ul style="list-style-type: none"> • <u>Review and adopt strategic plans of the Group</u> <p>The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year.</p> <ul style="list-style-type: none"> • <u>Oversight of the Group's Business</u> <p>The day-to-day management of the business operations of the Group is led by the Group Managing Director, Executive Directors and assisted by the Senior Management personnel. Their performance under the leadership of the Group Managing Director and Executive Directors are assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.</p> <ul style="list-style-type: none"> • <u>Implementation of internal compliance controls and justifies measures to address principal risks</u> <p>The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board is responsible for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.</p> <ul style="list-style-type: none"> • <u>To formulate and have in place an appropriate succession plan</u> <p>The Board is responsibility to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board.</p> <p>The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.</p> <ul style="list-style-type: none"> • <u>Developing and implementing an investor relations program or shareholder communications policy for the Group</u> <p>The Board recognises that shareholder and other stakeholder are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company website is the primary medium in providing information to all shareholders and stakeholders.</p>
<p>Explanation for departure</p>	<p>:</p>

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board is chaired by En. Zulkifly Bin Zakaria, an Independent Non-Executive Director/ Senior Independent Non-Executive Director who is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at www.hiaphuat.com . The Chairman are not related to the Group Managing Director and is responsible in leading the Board in the oversight and supervision of the Group's management.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Group Managing Director of Hiap Huat Holdings Berhad ("Hiap Huat" or "the Company") are held by two different individuals. The Chairman, En Zulkifly Bin Zakaria leads the Board in the oversight and supervision of the Group's management whereas the Group Managing Director, Dato' Chan Say Hwa is responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.</p> <p>During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and the Group Managing Director are held by different individuals, and that the Chairman is a non-executive member of the Board.</p> <p>The roles of the Chairman and the Group Managing Director are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making so that no one individual has unfettered powers of decision making.</p> <p>The Chairman are not related to the Group Managing Director and are responsible in leading the Board in the oversight and supervision of the Group's management; whilst the Group Managing Director is responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In compliance with MCCG, the Board is supported by two (2) qualified and competent Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries provides the required support and assist the Board, Board Committee or Director individually on matters including but not limited to board procedures, rules and Articles of the Company, legislations, regulations, codes, guidelines and operations matter within the Group. The Board also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements and the resultant implications to the Company and Directors in relations to their duties and responsibilities.</p> <p>The Company Secretaries shall keep themselves abreast with the development and new changes in relation to any legislation and regulations concerning the corporate administration and to highlight the same to the Board of Directors accordingly.</p> <p>The Company Secretaries attend Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.</p> <p>The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	: Applied
Explanation on application of the practice	<p>Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant board papers shall be forwarded to each Director no later than seven (7) days before the date of the meeting. This is to ensure that board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the board paper and seek for any clarification as and when they may need advice or further explanation from management and/or Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries and properly documented and maintained at the Registered Office of the Company.</p> <p>The minutes of the meetings are prepared and circulated to all the Directors for review and approval. Fundamental questions raised and key points discussed during the meetings were recorded. The minutes of the meetings would be confirmed by the Board at the next meeting and signed by the Chairman.</p> <p>The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of board papers for informed decision making and meaningful discharge of its duties.</p> <p>In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. The senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.</p> <p>When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and</p>

Intended Outcome

	external auditors, at the Company's expense to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available for reference at the Company's website at www.hiaphuat.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur.</p> <p>The Code of Conduct and Ethics provides guidance for Directors and every employees of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.</p> <p>The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at www.hiaphuat.com.</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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed in achieving and maintaining the highest standard of work ethics in the conduct of business to be in line with the Code of Conduct and Ethics and good corporate governance practices. The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.</p> <p>The main objectives of the policy are:</p> <ul style="list-style-type: none"> (i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency; (ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and (iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders. <p>The Board will review the Whistle Blowing Policy when necessary to ensure it remains relevant and appropriate. The details of the Whistle-blowing Policy are available for reference at the Company's website at www.hiaphuat.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors consists of six (6) members comprising:</p> <ul style="list-style-type: none">• One (1) Independent Non-Executive Chairman/ Senior Independent Non-Executive Director;• One (1) Group Managing Director;• Two (2) Executive Directors; and• Two (2) Independent Non-Executive Directors. <p>The Company had complied with the requirement of the Rule 15.02 of the Listing Requirements of Bursa Securities to have at least two (2) Directors or 1/3 of the Board, whichever is higher, must be Independent Directors, is fulfilled. This is also in line with Practice 4.1 of the MCCG where it requires at least half of the Board members comprises independent directors.</p> <p>The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the Nomination Committee regularly reviews the composition of the Board and Board Committees. The profiles of the Directors and Key Senior Management are set out in this Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied – Annual shareholders' approval for independent director's serving beyond 9 years
Explanation on application of the practice	:	<p>During the financial year ended 2020 ("FYE 2020") En. Zulkifly Bin Zakaria has served the Board for a cumulative term of more than nine (9) years since his appointment and/or election as Director. While Mr Woo Yew Tim's tenure of service as an independent Director will exceed nine (9) years by 2021.</p> <p>Following an assessment and recommendation by the NC, the Board recommended that both INED who have served as an INED for a cumulative term of more than nine (9) years to continue to be designated as INED of the Company, subject to the shareholders' approval at the forthcoming Annual General Meeting ("AGM") based on the following key justifications:</p> <ul style="list-style-type: none">• they fulfill the criteria under the definition of Independent Director as stated in the Listing Requirements and, therefore, are able to bring independent and objective judgment to the Board as a whole;• their experience in the relevant industries has enabled them to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills, contribution and competence;• they have been with the Company for a certain period and therefore understands the Company's business operations which enables them to contribute actively and effectively during deliberations or discussions at Board and Committee meetings;• they continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Managing Director and Executive Directors; and• they exercise due care during their tenure as an independent non-executive Director and carried out their professional duties in the best interest of the Company and shareholders.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Intended Outcome

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

Practice 4.2

Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	: Applied
Explanation on application of the practice	<p>The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Board appoints its members through a formal and transparent selection process which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.</p> <p>Generally, the Board adopts a flexible approach when selecting and appointing new Directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help to assess and recommend to the Board, the candidature of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board.</p> <p>Before any recommendation made to the Board, the Nomination Committee will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:</p> <ul style="list-style-type: none">(i) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters;(ii) the extent to which the appointee is likely to work constructively with the existing Directors and contribute to the overall effectiveness of the Board.(iii) In the case of candidates being considered for the position of Independent Director, he/she must fulfil the criteria used in the definition of "Independent Directors" prescribed by the Listing Requirements of Bursa Securities and being able to bring independent and objective judgement to the Board;(iv) the merit and outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and(v) Professionalism and Integrity. <p>The Board pursues diversity in both the Board level and Senior Management level and recognises a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board whilst the diversity at Senior Management will lead to better decisions.</p>

Intended Outcome

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

Practice 4.4

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

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit, and against objective criteria, with due regard given to the benefits of diversity on the Board, including gender, age and ethnicity. The Board recognises diversity in the boardroom as an essential component of a good corporate governance.</p> <p>The Company is not classified as "Large Company". However, the Board currently has two (2) female directors out of six (6) directors which in line with the country's aspirational target of 30% representation of women on boards.</p> <p>The Board will, from time to time, review its composition and size while at the same time having due regard for diversity in skills, experience, cultural background, gender and age. The Board may consider appointing more females onto the Board in future to bring about a more diverse perspective when Board vacancies arise.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board does not appoint external parties to identify suitably qualified candidates during the recruitment process.</p> <p>The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the Nomination Committee. The Board relies on the existing network and referrals from existing board members, senior management and major shareholders as primary means to source for new Directors as they represent a tried and tested method of sourcing high-caliber directors with a sound understanding of the business.</p> <p>In general, the process for the appointment of director to the Board is as follows:</p> <ul style="list-style-type: none"> (i) The Nomination Committee reviews the Board's composition through Board assessment/ evaluation; (ii) The Nomination Committee determines skills matrix; (iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate; (iv) The Nomination Committee recommends to the Board for appointment; and (v) The Board approves the appointment of the candidates. <p>The Directors appointment process is carried out based on methodical and robust process undertaken by the Nomination Committee. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Nomination Committee which comprised exclusively of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.</p> <p>The present members of the Nomination Committee are:</p> <p>Chairman Woo Yew Tim - Independent Non-Executive Director</p> <p>Members Zulkifly bin Zakaria - Independent Non-Executive Chairman/ Senior Independent Non-Executive Director</p> <p>Lee Yew Weng - Independent Non-Executive Director (appointed on 24 February 2021)</p> <p>The terms of reference of the Nomination Committee can be viewed at the Company's website at www.hiaphuat.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and the contribution of individual Directors annually. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election of Directors at the Company's forthcoming AGM, with a view to meeting current and future requirements of the Group.</p> <p>The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements. The Board did not engage any external party to undertake an independent assessment of the Directors.</p> <p>All assessments and evaluations carried out will be documented and minuted by the Company Secretary. The results of all assessment and comments by Directors are summarised and deliberated at the Nomination Committee meeting and thereafter reported to the Board for deliberation.</p> <p>Based on the assessment conducted for the FYE 2020, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board and Board Committees members and the level of independence demonstrated by all the Independent Non-Executive Directors and each of them continues to fulfil the definition of independence as set out in the Listing Requirements.</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>		

Intended Outcome

Measure :		
Timeframe :		

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

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

Practice 6.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board believes that the Company have a fair remuneration policy to attract, retain and motivate Directors and Senior Management. The remuneration policy of the Board provides that all Executive Directors and Senior Management are remunerated based on the individual's performances and that of the Group as a whole, market conditions and their responsibilities, whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees, their attendance and/or special skills and expertise they bring to the Board. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board as a whole, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company.</p> <p>It has established a Remuneration Committee to review and ensure that the remuneration of Directors and Senior Management fairly reflect their responsibilities, the expertise required by the Company and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.</p> <p>The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organizations, adjusted for the experience and levels of responsibilities undertaken by that particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.</p> <p>The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and</p>

	retain talented individuals to serve as directors	
Explanation for departure :		
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 6.2

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

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

Application :	Applied
Explanation on application of the practice :	<p>In line with the best practices of MCCG, the Board has set up a Remuneration Committee which comprising exclusively of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.</p> <p>The present members of the Remuneration Committee are as follow:</p> <p>Chairman Lee Yew Weng - Independent Non-Executive Director (appointed on 24 February 2021)</p> <p>Members Zulkifly bin Zakaria - Independent Non-Executive Chairman/ Senior Independent Non-Executive Director Woo Yew Tim - Independent Non-Executive Director</p> <p>The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing executive remuneration, fixing and examining the remuneration packages and other benefits of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.</p> <p>The Terms of Reference of the Remuneration Committee can be viewed at the Company's website at www.hiaphuat.com.</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 :	

Intended Outcome

Timeframe :		
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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	:	Detailed disclosure on named basis for the remuneration of individual directors detailing fees, salaries, and other emoluments are stated in the Corporate Governance Statement in the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company opts not to disclose the Senior Management's remuneration components (salary, bonus, benefits-in-kind and other emoluments) as it is not in the best interest of the Company and Senior Management personnel to disclosure of their personal data to the public at large.</p> <p>There are only six (6) Senior Management in the group, three (3) are the Executive Directors of the Company, their remuneration components (salary, bonus, benefits-in-kind and other emoluments) have disclosed in the Company's 2020 Annual Report under Corporate Governance Statement.</p> <p>The other two (2) Senior Management, their total remuneration components (salary, bonus, benefits-in-kind and other emoluments) are 7% of the overall salary of the Group and the range of the salary in line with the industrial practice.</p> <p>The Company alternative plan to meet the intended outcome is to disclose the percentage (%) of salary received by Senior Management over the total salary of the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, the Chairman of the Audit Committee is also the Chairman of the Board. However, the Board is of the view that the said practice will not materially interfere and affect his independence judgement. Further, based on the assessment conducted for the financial year 2020, the Board and the Nomination Committee is satisfied with the size, composition as well as the mix of qualifications, skills and experience among the Audit Committees members.	
		The Board noted the recommendation from the MCCG and may consider to restructure the composition of the Audit Committee in future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.</p> <p>None of the members of the Audit Committee was a former key audit partner during the FYE 2020.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	: Applied
Explanation on application of the practice	<p>The Audit Committee has established a transparent and appropriate relationship with the Company's External Auditors, Messrs UHY. From time to time, the Auditors will highlight to the Audit Committee and the Board on matters that require the Board's attention.</p> <p>The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.</p> <p>In assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:</p> <ul style="list-style-type: none">i) the adequacy of the experience and resources of the External Auditors;ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; andiv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors. <p>Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.</p> <p>The Audit Committee is satisfied with the competence and independence of the External Auditors for the FYE 2020. The AC was also satisfied that the provision of the non-audit services provided by Messrs UHY to the Company for the FYE 2020 did not in any way impair their objectivity and independence as external auditors of the Company. Having taken into consideration of the above, the Board, through the AC is of the view</p>

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

	that the external auditors are independent and suitably qualified to act.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors.</p> <p>The present members of the Audit Committee are as follows :</p> <p>Chairman Zulkifly Bin Zakaria - Independent Non-Executive Chairman/ Senior Independent Non-Executive Director</p> <p>Members Lee Yew Weng - Independent Non-Executive Director (appointed on 24 February 2021) Woo Yew Tim - Independent Non-Executive Director</p>

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 Audit Committee have the relevant experience and expertise in finance and accounting and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profile in the Annual Report.</p> <p>All members of Audit Committee have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required to enable them to effectively discharge their duties.</p> <p>A summary of training programmes, conferences and seminars attended by Audit Committee members during the financial year under review is set out in the Corporate Governance Statement of the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.</p> <p>As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.</p> <p>The Board also has set up a Risk Management Committee which comprises half of Independent Non-Executive Directors of the Company to identify, evaluate and manage significant risks faced by the Group as well as report to the Board on significant risks affecting the Group's strategic and business plans, if any. As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The details of the Group's risk management and internal control framework is elaborated in the Statement on Risk Management and Internal Control of the Annual Report.</p> <p>Key elements that have been established in the of the Group's risk management and internal control systems are described below:</p> <p>1. Risk Management System</p> <p>Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards.</p> <p>The Group's established risk management practice is guided by ISO 31000: Risk Management – Principles and Guidelines. The key elements of this risk management process are as follows:</p> <ul style="list-style-type: none">• Identify key risks associated with the Group's external and internal risks;• Identify the existing controls that manage the identified risks;• Confirm ownership and timelines for managing and monitoring the identified risks;• Rate the identified risks in terms of likelihood of occurrence and the resulting impact on the organisation. The rating takes into account the effectiveness of existing controls put in place to manage the risks;• Decide on the risk treatment and develop risk response to manage residual risks (if any); and• Regular monitoring and updating of the Group's existing key risk profile. <p>The above risk management process has been in place for the year under review and up to the date of the approval of this Statement.</p> <p>The Board has set up a Risk Management Committee which comprises half of Independent Non-Executive Directors of the Company to identify, evaluate and manage significant risks faced by the Group as well as report to the Board on significant risks affecting the Group's strategic and business plans, if any. Detail risk registers of the key risks been identified and existing controls including the risk responses have been created and a risk profile for the Group has been developed. Risks identified were prioritised in terms of likelihood of occurrence and its impact on the achievement of the Group's business objectives.</p>

The Risk Management Committee meets from time to time to identify and manage risks; the risks are being continually monitored and appropriate actions taken to address any change in existing risks or new risks identified as part of an on-going proactive risk management exercise.

The risk register of the Group was updated by the Risk Management Committee. Through this update, which takes into consideration the economic and business outlook, new risks were identified, assessed and rated, and existing risks are further re-evaluated. The updated risk register including additional mitigating action plans to be implemented were then presented to Audit Committee in the Risk Management Meeting.

The details of the principal risks faced by the Group is set out in the MD&A of this Annual Report.

2. Internal Control System

- (i) The Group has in place an organisational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability and also facilitates the check and balance for proper decision making at the appropriate authority levels of Management including matters that require the Board's approval.
- (ii) A documented delegation of limits of authority across the Group's operations that sets out decisions that need to be taken and the appropriate levels of Management involved including matters that require the Board's approval.
- (iii) The Board of Directors and Audit Committee meet at least four (4) times during the financial year to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control issues identified.
- (iv) Internal policies and procedures had been established for key business units within the Group. Certain subsidiaries within the Group are also ISO accredited.
- (v) The Group has a budgeting process which establishes plans and targets for performances to be measured on an on-going basis. Budget variances are analyzed and reported internally on a quarterly basis.
- (vi) Comprehensive guidelines on employment, code of conduct and retention of employees are in place to ensure that the Group has a team of employees who are qualified and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

	<p>(vii) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.</p> <p>(viii) A formal Whistle-blowing Policy has been established to form part of the Group's Code of Conduct in achieving and maintaining the highest standard of work ethics in the conduct of business. The policy provides a platform to its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group. The Whistle Blowing Policy is available at the corporate website at https://www.hiaphuat.com.</p> <p>(ix) The Group has adopted an Anti-Bribery and Anti-Corruption Policy which in line with the Listing Requirements and/or the provisions of the Malaysian Anti-Corruption Commission Act 2009. The Group is committed to carry out its business honestly and openly and has a zero tolerance of bribery and corruption. The business of the Group is conducted with high level of integrity and ethics and complies with applicable laws.</p> <p>(x) An integrated regulatory compliance monitoring and control process has been implemented within the Group on the waste management and recycled process. The Group ensures that the compliance of laws and regulations of the relevant authority to provide assurance that its products and services offered are in a manner consistent with regulatory requirements and the Group's corporate responsibilities.</p> <p>3. Internal Audit Function</p> <p>The Group's Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out in the Audit Committee Report of this Annual Report.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application :	Adopted
Explanation on adoption of the practice :	<p>In line with the best practices of MCCG, the Board has set up the Risk Management Committee which comprising half of Independent Non-Executive Directors. The present members of the Risk Management Committee are as follows :</p> <p>Chairman Zulkifly Bin Zakaria - Independent Non-Executive Chairman/ Senior Independent Non-Executive Director</p> <p>Members Dato' Chan Say Hwa - Group Managing Director Datin Chow Pui Ling - Executive Director Soo Kit Lin - Executive Director Woo Yew Tim - Independent Non-Executive Director Lee Yew Weng - Independent Non-Executive Director (appointed on 24 February 2021)</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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.</p> <p>Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilizing a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.</p> <p>The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function, which reports directly to the Audit Committee, is outsourced to the GovernanceAdvisory.com Sdn. Bhd ("GASB"). The internal audit activities were reported directly to the Audit Committee based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.</p> <p>The internal audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors. The internal audit provides independent assessment on the effectiveness and efficiency of internal controls system established by the management, utilizing a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.</p> <p>The details of the internal audit function are elaborated in the Audit Committee Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate and contains sufficient and relevant information.</p> <p>In order to maintain its commitment of effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.</p> <p>The communication channels used in the Company's engagement with its stakeholders include:</p> <ul style="list-style-type: none"> a) The Company's website; b) Announcements via Bursa Link; c) Annual Reports and Circular; d) General Meetings; and e) Investor relations and press release.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined by the MCGG 2017.	
		The Company will consider adopting integrated reporting if the Directors opined that benefits of the adoption outweigh the cost.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Annual General Meeting is the principal forum for dialogue with the shareholders. The notice of AGM will be despatched to shareholders at least twenty-one (21) days before the AGM, which in compliance with the Companies Act, 2016 and Listing Requirements. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	Barring any unforeseen circumstances, all Directors are committed to attend meeting of members of the Company. The presence of all Directors presented opportunities for the shareholders to engage with each Director and also allowed the shareholders to raise questions and concerns to the Directors directly.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Not applicable to the Company in view that the Company does not have large number of shareholders, did not in the past held meetings in remote location and does not intent to have meetings in remote locations in the future.</p> <p>The location of the AGM is to be held at strategic location in Klang Valley, which is easily accessible by the shareholders.</p> <p>Notice of general meeting and circular to shareholders will contain the relevant information pertaining to the resolutions to be tabled and shareholders may contact the Company for clarification by contacting the personnel whose emails and telephone numbers are published at the Company's website.</p> <p>The Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. The Company may consider exploring a suitable and reliable system to facilitate voting in absentia and remote participation by shareholders' in future.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**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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