

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 7206  
**COMPANY NAME** : TH HEAVY ENGINEERING BERHAD  
**FINANCIAL YEAR** : December 31, 2019

### **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

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| <b>Application</b>                                | : Applied  |
| <b>Explanation on application of the practice</b> | <ul style="list-style-type: none"> <li>• The Board of Directors ("<b>Board</b>") provides overall stewardship over the Management of the Company and its subsidiaries ("<b>Group</b>").</li> <li>• The Board's roles and responsibilities include but are not limited to the following: <ul style="list-style-type: none"> <li>➤ reviewing, monitoring and approving the overall strategies, direction and policies of the Group;</li> <li>➤ overseeing and evaluating the conduct and performance of Group;</li> <li>➤ identifying principal risks and ensuring the implementation of appropriate system to manage risk;</li> <li>➤ establishing succession planning and reviewing remuneration packages of senior management;</li> <li>➤ considering Management's recommendations on key issues including acquisition, disposal, restructuring and significant capital expenditure; and</li> <li>➤ reviewing the adequacy and the integrity of the management information and internal control systems of the Company.</li> </ul> </li> <li>• The roles and responsibilities of the Board are set out in the Board Charter and the Board Committees' roles and responsibilities in discharging its functions are set out in each respective Board Committee's Terms of Reference.</li> <li>• The Board has delegated certain functions to Board Committees namely, Audit Committee, Nomination Committee, Remuneration Committee and Risk and Investment Committee.</li> <li>• Annual Report is the key channel of communication with stakeholders. Another important avenue is timely announcements made by the Company on material information.</li> </ul> |

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|  | <ul style="list-style-type: none"> <li>The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Group.</li> </ul> |  |
| <b>Explanation for departure</b> :   |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b> :   |   |  |
| <b>Timeframe</b> :   |   |  |

**Intended Outcome**

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

**Practice 1.2**

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The role of the Chairman of the Board is set out in the Board Charter and the Chairman of the Board is responsible for:-</p> <ul style="list-style-type: none"> <li>• Setting the agenda for meetings of the Board and focus on strategic direction and performance;</li> <li>• Maintaining on-going dialogue and relationship of trust with and between the Directors and Management;</li> <li>• Ensuring clear and relevant information is provided to Directors in a timely manner; and</li> <li>• Ensuring sufficient time is allowed for the discussion of complex or critical issues.</li> </ul> <p>The agenda for the Board Meetings is drawn upon consultation between Chairman, Chief Executive Officer and Company Secretaries.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 1.3

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The positions of the Chairman and the Chief Executive Officer are held by different individuals.</p> <p>Encik Izad Shahadi Bin Mohd Sallehuddin (“<b>Encik Izad</b>”) was appointed as a Non-Independent Non-Executive Director to the Board on 15 August 2019 and was subsequently re-designated as the Chairman of the Board on 13 September 2019. Encik Izad is responsible for leadership, effectiveness and governance of the Board.</p> <p>Whereas Encik Suhaimi Bin Badrul Jamil (“<b>Encik Suhaimi</b>”) is the Chief Executive Officer of the Company and is responsible for day-to-day management of the business and implementation of the Board's policies and decisions.</p> <p>Encik Suhaimi has tendered his resignation on 1 April 2020. His resignation will take effect from 1 July 2020.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 1.4

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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board is supported by two (2) suitably qualified and competent Company Secretaries, who are qualified to act as company secretary in accordance with Section 235(2) of the Companies Act 2016 (“Act”). The Companies Secretaries constantly keep abreast with the evolving regulatory changes and developments in corporate governance through continuous training and are responsible for providing Directors with advice on compliance and corporate governance issues.</p> <p>The Board is satisfied with the performance and supports rendered by the Company Secretaries to the Board in discharging of their functions and duties in relation to matters being deliberated.</p> <p>The Board is regularly updated by the Company Secretaries on new changes to the statutory and regulatory requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities.</p> <p>The Company Secretary attends the Board and Board Committee meetings and ensures the meetings are properly convened and deliberations are well captured and minuted. All Directors have access to the advice and services of the Company Secretaries in carrying out their duties.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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### 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>In order to allow the Directors to have appropriate review of the Board Papers, Board Papers are distributed to all Board Members three (3) working days prior to the Board Meeting.</p> <p>A comprehensive Board Paper pack comprises objective, background of the subject matters, issues, risks, recommendation and other relevant information will be made available to the Board in order for them to make an informed decision.</p> <p>The Board Paper pack also consists of previous minutes of Board meeting(s), comprehensive reports from subsidiary companies and summary of Directors dealings, Bursa announcements and Directors' Circular Resolutions passed by the Directors since the last Board meeting.</p> <p>The minutes of every meeting are well circulated and confirmed as correct records by the Board and Board Committees at their meetings respectively.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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## 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.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Board Charter is available on the Company's website at <a href="http://www.thhe.com.my">www.thhe.com.my</a>.</p> <p>The roles and responsibilities of the Board, Chairman, Group Chief Executive Officer, and Board Committees are set out in the Company's Board Charter and its respective Terms of Reference.</p> <p>Key matters reserved for the Board's approval include the following:</p> <ul style="list-style-type: none"><li>➤ Appointment of the Chairman;</li><li>➤ Appointment and removal of the Chief Executive Officer/Executive Directors;</li><li>➤ Appointment of Directors to fill a vacancy or as additional Directors;</li><li>➤ Establishment of Board Committees, their membership and delegated authorities;</li><li>➤ Declaration and approval of dividends to shareholders out of profits of the Company available if the Company is solvent;</li><li>➤ Review of corporate governance principles and policies;</li><li>➤ Approval of annual business plan or budget;</li><li>➤ Approval of major capital expenditure, acquisitions and divestitures and monitor capital management, in excess of authority levels delegated to Management;</li><li>➤ Calling of meetings of shareholders; and</li><li>➤ Any other specific matters nominated by the Board from time to time.</li></ul> <p>The Board will periodically review the Board Charter and make any changes whenever necessary to ensure they remain consistent with the Board's objectives, current law/regulations, good governance practices and in compliance with the Malaysian Code on Corporate Governance ("<b>MCCG</b>") and any changes in the Companies Act 2016 and Main Market Listing Requirements ("<b>MMLR</b>") of Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>"), as well as the Terms of Reference of the Board Committees.</p> |

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

### Intended Outcome

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

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

### Practice 3.1

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

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Company's Code of Ethics is set out in the Company's Employee Handbook and available for viewing on the Company's website at <a href="http://www.thhe.com.my">www.thhe.com.my</a>.</p> <p>The provisions in the Code of Ethics ensure compliance with law and regulations and amongst others cite provisions on professional conduct, confidentiality, gifts and favours, as well as conflict of interest.</p> <p>In relation to the amendments of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 and in particular the new Section 17 of the MACC Act 2019 that introduces, amongst others, new corporate liability for companies, arising from corrupt acts committed by employees or person associated with the company, the Company has taken proactive actions to ensure that it has the adequate procedures, policies and controls for the prevention of corrupt acts and practices.</p> <p>The corporate liability provision criminalises a company based on illegal actions taken by employee. Concurrently, the Code of Conducts and Whistleblowing Policy of the Company have been enhanced to demonstrate presence of adequate procedures to prevent such illegal actions taken by employees.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
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### 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has established a Whistle-blowing Policy to allow employees, stakeholders, contractors and any individual to disclose any misconduct or malpractice on a confidential basis so as to allow appropriate remedial action to be taken.</p> <p>The policy is also to reinforce the Company's commitment to its policies and values, and to develop a culture of openness, accountability and integrity within the Company.</p> <p>The report will be channelled to the Whistle-blower Committee and will be investigated by an investigation team. The policy can be viewed on the Company's portal at <a href="http://www.thhe.com.my">www.thhe.com.my</a>.</p> <p>During the financial year ended 31 December 2019, the Whistleblowing Committee did not receive any report.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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**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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board consists of seven (7) members whereby four (4) of them are Independent Non-Executive Directors and three (3) are Non-Independent Non-Executive Directors.</p> <p>The number of Independent Non-Executive Directors complies with MMLR of Bursa Securities, which states that at least three (3) members or one-third (1/3) of the Board shall be Independent Directors. They also fulfil the criteria of independence as defined in the MMLR of Bursa Securities.</p> <p>The Independent Non-Executive Directors are able to exercise strong independent judgement and provide independent views and advice during all Board deliberations. Their presence provides a check and balance in the discharge of the Board's function.</p> <p>All Independent Directors act independently of Management and do not participate in any business dealings. Neither are they involved in any other relationship with the Group that may impair their independent judgement and decision-making.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

## Practice 4.2

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.

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| <b>Application</b>                                | : Applied - Annual shareholders' approval for independent directors serving beyond 9 years   |
| <b>Explanation on application of the practice</b> | <p>As at 31 December 2019, Mr. Too Kok Leng has served on the Board as an Independent Non-Executive Director (“<b>INED</b>”) for a cumulative term of more than nine (9) years. As described in the Guidance 4.2 of the MCGG, the Board had recommended Mr. Too Kok Leng to be retained as an INED at the 15th AGM of the Company held in 2019.</p> <p>Prior to making recommendation to the shareholders at the AGM of the Company on the retention of Mr. Too Kok Leng as an INED of the Company, the Board had vide the Nomination Committee assessed the independence of Mr. Too Kok Leng and regarded him to be independent in expressing his views and in participating in deliberations, and decision making of the Board and Board Committees. The Board was also of view that the length of his service on the Board do not in any way interfere with his exercise of independent judgment and ability to act in the best interests of the Company.</p> <p>The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. There are significant advantages to be gained from a long-serving Independent Director who has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in his role as an INED.</p> <p>The Board as a whole, is satisfied with the skills, contribution and independent judgment that Mr. Too Kok Leng brings to the Board. In view thereof, the Board recommends and supports his retention as an INED of the Company, subject to shareholders' approval at the forthcoming Sixteenth AGM of the Company, based on the following justifications:-</p> <ul style="list-style-type: none"><li>• he has fulfilled the criteria under the definition of Independent Director pursuant to the MMLR of Bursa Securities;</li></ul> |

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|  | <ul style="list-style-type: none"> <li>• he is able to exercise independent judgement and act in the best interests of the Company;</li> <li>• there is no potential conflict of interest that he could have with the Company and/or its subsidiaries; and</li> <li>• there are significant advantages to be gained from long-serving Independent Director who has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, and have provided invaluable contribution to the Board in his role as INED.</li> </ul> |  |
| <b>Explanation for departure</b> :   |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The composition of the Board members reveals their varied background. The Board collectively has a broad range of experience in areas of public service, administration, law, accounting and finance and engineering. It also provides the appropriate balance in terms of skills, knowledge and experience.</p> <p>In any appointment, certain aspects have been considered to maintain a diversified Board and Senior Management team. All appointments will be based on merit, and candidates will be considered against objective criteria.</p> <p>In its selection process, the Nomination Committee (“<b>NC</b>”) follows a set of criteria and expectations based upon the competencies, commitment, experience and integrity of the candidates. In the selection process, the NC and the Board do not set any target on gender, ethnicity or age diversity but endeavour to include any member who will improve the Board’s overall compositional balance.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

**Practice 4.5**

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.

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| <b>Application</b>  | : | Departure  |  |
| <b>Explanation on application of the practice</b>   | : |  |  |
| <b>Explanation for departure</b>  | : | <p>The Board is cognisant of the recommendation of MCCG on gender diversity policies and targets and the measures taken to meet the targets. The Board does not have a specific policy on gender, ethnicity and age group for candidates to be appointed to the Board and does not have specific policy on setting target for female candidates in the workforce. Currently, there is no female representative on the Board.</p> <p>The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to providing fair and equal opportunities and nurturing diversity within the Company.</p> |  |
|   |   | <p>Alternate practice:</p> <p>In identifying suitable candidates for appointment to the Board, the NC will consider candidates based on the candidates’ competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company and with due regard for the benefits of diversity on the Board.</p>  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |  |
| <b>Measure</b>  | : |  |  |
| <b>Timeframe</b>  | : |  |  |

### Intended Outcome

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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>During financial year ended 31 December 2019 (“<b>FYE 2019</b>”), three (3) Directors, namely Encik Izad Shahadi Bin Mohd Sallehuddin, Encik Ahmad Al Farouk Bin Ahmad Kamal and Tuan Haji Mohd Khalid Bin Mohamed were appointed to the Board. They are nominated by the Company’s major shareholder, Urusharta Jamaah Sdn. Bhd.</p> <p>Although the selection/identification of candidates for appointment as directors were based on recommendations from the major shareholder of the Company, the Board decisions are still made objectively in the best interests of the Company, taking into account of the diverse skills, expertise, experience and perspectives of the current Board members.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
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**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.

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Nomination Committee is currently chaired by Mr. Too Kok Leng, an INED. Mr. Too Kok Leng was redesignated from member to Chairman of the NC on 15 August 2019.</p> <p>Dato' Ghazali bin Awang, an INED, was the Chairman of the NC until his resignation from the Committee on 15 August 2019.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
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## 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The NC conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director in respect of the FYE 2019 using customised questionnaire to be completed by the Directors.</p> <p>The results of the self-assessment by the Directors and the Board's effectiveness as a whole as compiled by the Company Secretaries were tabled to the NC and the Board for review.</p> <p>In the annual assessment of individual Directors by the NC, the skills and experience of individual Directors are reviewed to ensure the composition of the Board is appropriate with a good mix of skills and core competencies in order to discharge its duties and responsibilities and to meet the business needs of the Group.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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### 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.

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| <b>Application</b>   | : Applied  |
| <b>Explanation on application of the practice</b>  | <p>The Board has in place a Remuneration Policy of Directors and Senior Management to determine the remuneration of the Directors and senior management.</p> <p>The remuneration of Executive Directors and senior management are determined at levels which enabled the Company to attract and retain Executive Directors and senior management with the relevant experience and expertise to manage the business of the Group effectively. The Remuneration Committee reviews the Board's remuneration policy and terms of service of each Executive Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group.</p> <p>Determination of remuneration packages of Non-Executive Directors, is a matter of the Board as a whole. The individuals concerned will abstain from discussion of their own remuneration. The RC is also responsible to review the remuneration packages of the Non-Executive Directors of the Company and thereafter recommend to the Board for their consideration. Non-Executive Directors are paid by way of fixed monthly fees or annually and a meeting allowance for each meeting attended.</p> <p>Presently, there is no Executive Director on the Board of the Company.</p> |
| <b>Explanation for departure</b>   | :  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |

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| <b>Measure</b>   | : |  |  |
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## Intended Outcome

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

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

### Practice 6.2

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

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Remuneration Committee comprises Non-Executive Directors, with majority of whom are Independent Directors. The Committee has a written Terms of Reference ("TOR") which deals with its authority and duties and the TOR is disclosed in the Company's website at <a href="http://www.thhe.com.my">www.thhe.com.my</a>.</p> <p>The Remuneration Committee's main function is to recommend to the Board the appropriate level of remuneration and entitlements of all Directors (including the Non-Executive Directors) and the Board will decide on the recommendations of the Remuneration Committee. The objectives are to attract and retain Directors of the calibre needed to manage the Group effectively.</p> <p>The approval for Directors' remuneration rests with the Board as a whole with the Directors abstaining from voting and deliberating on decisions in respect of their own remuneration.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

## Practice 7.1

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

|   |   |                   |                          |                          |              |
|---|---|-------------------|--------------------------|--------------------------|--------------|
| <b>Application</b>                                | : Applied   |                   |                          |                          |              |
| <b>Explanation on application of the practice</b> | : The details of the remuneration of the Directors who served during the FYE 2019 are as follows:-                                  |                   |                          |                          |              |
|   | <b><u>Received from the Company</u></b>   |                   |                          |                          |              |
|   |   | <b>Fees</b>       | <b>Meeting Allowance</b> | <b>Total</b>             |              |
|   |   | (RM)              | (RM)                     | (RM)                     |              |
| 1)  | En. Izad Shahadi Bin Mohd Sallehuddin<br><i>(Appointed on 15 August 2019)*<br/>(Re-designated as Chairman on 13 September 2019)</i> | 28,876.71         | 2,500.00                 | 31,376.71                |              |
| 2)  | En. Ahmad Al Farouk Bin Ahmad Kamal<br><i>(Appointed on 15 August 2019)*</i>  | 22,849.32         | 2,500.00                 | 25,349.32                |              |
| 3)  | Tuan Haji Mohd Khalid Bin Mohamed<br><i>(Appointed on 15 August 2019)*</i>  | 22,849.32         | 1,500.00                 | 24,349.32                |              |
| 4)  | Dato' Indera Dr. Haji Md. Yusop Bin Omar  | 60,000.00         | 10,500.00                | 70,500.00                |              |
| 5)  | Dato' Haji Ghazali Bin Awang  | 60,000.00         | 9,000.00                 | 69,000.00                |              |
| 6)  | Dr. Ir. Samad Bin Solbai  | 60,000.00         | 11,500.00                | 71,500.00                |              |
| 7)  | Mr. Too Kok Leng  | 60,000.00         | 13,500.00                | 73,500.00                |              |
|   | <b>TOTAL</b>  | <b>314,575.35</b> | <b>51,000.00</b>         | <b>365,575.35</b>        |              |
|   | <i>*Fee calculated on pro-rated basis</i>   |                   |                          |                          |              |
|   | <b><u>Received on Group Basis</u></b>   |                   |                          |                          |              |
|   |   | <b>Entity</b>     | <b>Fees</b>              | <b>Meeting Allowance</b> | <b>Total</b> |
|   |   |                   | (RM)                     | (RM)                     | (RM)         |
| 1)  | En. Izad Shahadi Bin Mohd Sallehuddin<br><i>(Appointed on 15 August 2019)*</i>  | THHE              | 28,876.71                | 2,500.00                 | 31,376.71    |
| 2)  | En. Ahmad Al Farouk Bin Ahmad Kamal<br><i>(Appointed on 15 August 2019)*</i>  | THHE              | 22,849.32                | 2,500.00                 | 25,349.32    |
| 3)  | Tuan Haji Mohd Khalid Bin Mohamed   | THHE<br>THF       | 31,972.61                | 1,500.00                 | 33,472.61    |

|   |    |  |                         |            |           |            |
|---|----|--|-------------------------|------------|-----------|------------|
|   |    | (Appointed on 15 August 2019)*           |                         |            |           |            |
|   | 4) | Dato' Indera Dr. Haji Md. Yusop Bin Omar | THHE                    | 60,000.00  | 10,500.00 | 70,500.00  |
|   | 5) | Dato' Hj Ghazali Bin Awang               | THHE                    | 60,000.00  | 9,000.00  | 69,000.00  |
|   | 6) | Dr. Ir. Samad Bin Solbai                 | THHE<br>THF<br>Chairman | 100,000.00 | 21,000.00 | 121,000.00 |
|   | 7) | Mr. Too Kok Leng                         | THHE<br>THF             | 90,000.00  | 19,500.00 | 109,500.00 |
|   |    |  | <b>TOTAL</b>            | 393,698.64 | 66,500.00 | 460,198.64 |
| <p><i>*Fee calculated on pro-rated basis</i><br/>THF - THHE Fabricators Sdn Bhd</p>   |    |  |                         |            |           |            |
| <b>Explanation for departure</b>  | :  |  |                         |            |           |            |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |    |  |                         |            |           |            |
| <b>Measure</b>  | :  |  |                         |            |           |            |
| <b>Timeframe</b>  | :  |  |                         |            |           |            |

### Intended Outcome

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

### Practice 7.2

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

| <b>Application</b>   | :  | Departure  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
|--|--|--|-----------------------|--|-------------------|---|-------------------|---|-------------------|---|-----------------------|---|--------------|----------|
| <b>Explanation on application of the practice</b>  | :  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| <b>Explanation for departure</b>   | :  | <p>The remuneration of senior management is being disclosed in bands of RM50,000, but not on named basis.</p> <p>The Company notes the need for corporate transparency in the remuneration of its key senior management. However, it is the Company's policy that employees' salaries are confidential. The Company also believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's senior management.</p> <p>Alternate practice:</p> <ul style="list-style-type: none"><li>• The Company, however, will disclose the total remuneration paid to its senior management (including Chief Executive Officer) for the financial year ended 2019 which totalled RM2,788,402.74. This amount includes salaries, benefits in-kind and other emoluments.</li><li>• The top five (5) senior management's remuneration in bands of RM50,000 is as below:-</li></ul> <table border="1"><thead><tr><th>Range of Remuneration</th><th>Number of Top five (5) Senior Management</th></tr></thead><tbody><tr><td>200,000 – 250,000</td><td>1</td></tr><tr><td>250,000 - 300,000</td><td>2</td></tr><tr><td>450,000 - 500,000</td><td>1</td></tr><tr><td>1,000,000 - 1,050,000</td><td>1</td></tr><tr><td><b>Total</b></td><td><b>5</b></td></tr></tbody></table> <p><i>Successive bands of RM50,000/- are not shown entirely as these are not represented.</i></p> | Range of Remuneration | Number of Top five (5) Senior Management | 200,000 – 250,000 | 1 | 250,000 - 300,000 | 2 | 450,000 - 500,000 | 1 | 1,000,000 - 1,050,000 | 1 | <b>Total</b> | <b>5</b> |
| Range of Remuneration  | Number of Top five (5) Senior Management |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| 200,000 – 250,000  | 1  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| 250,000 - 300,000  | 2  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| 450,000 - 500,000  | 1  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| 1,000,000 - 1,050,000  | 1  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| <b>Total</b>   | <b>5</b>                                 |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |
| <b>Measure</b>   | :  |  |                       |  |                   |   |                   |   |                   |   |                       |   |              |          |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Audit Committee is currently chaired by Dato' Hj Ghazali Bin Awang, an INED. Dato' Hj Ghazali Bin Awang was redesignated from member to Chairman of the AC on 15 August 2019.</p> <p>Mr. Too Kok Leng, an INED was the Chairman of the AC and was redesignated from Chairman to member on 15 August 2019.</p> <p>Both Dato' Hj Ghazali Bin Awang and Mr. Too Kok Leng are not the Chairman of the Board.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The policy on observation of a cooling-off period of at least two (2) years for a former key audit partner prior to the appointment as an Audit Committee (“<b>AC</b>”) is incorporated in the Terms of Reference of AC.</p> <p>Presently, no former key audit partners of the present and former external auditors have been appointed to the Board or employed by the Company.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The external audit function under the purview of the AC is essential for all shareholders in ensuring the reliability of the Group's financial statements. The Board maintains a formal and transparent professional relationship with the Group's independent external auditors via the AC.</p> <p>The AC is tasked with the annual assessment process on the performance and quality of external auditors and their independence, objective and professionalism.</p> <p>During the FYE 2019, the Audit Committee undertook an assessment of the suitability and independence of the external auditors, using a questionnaire-based internal review, as well as input from officers who have constant contact with the team of the external auditors.</p> <p>The Audit Committee also reviewed the independence of the external auditors and the level of non-audit services rendered by the external auditors and their affiliates.</p> <p>Based on the results of the evaluation, the Audit Committee is satisfied with the performance of the external auditors, their adequacy of experience, resources and the professional staff assigned to the audit of the Group. The Board has accepted the recommendation of the AC for the re-appointment of Messrs Deloitte PLT as external auditors of the Company for the ensuing financial year in the upcoming Annual General Meeting of the Company.</p> <p>The policies and procedures to assess the suitability, objectivity and independence of external auditors was adopted by the Board on 16 April 2019.</p> |
| <b>Explanation for departure</b>                  | : |   |

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

|                    |  |  |
|--------------------|--|--|
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> : |  |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board regards the members of the AC to collectively possess the accounting and related financial management expertise and experience required for the AC to discharge its responsibilities and assist the Board in its oversight over Management in the design, implementation and monitoring of risk management and internal control systems.</p> <p>The qualification and experience of the individual AC members are disclosed in the Board of Directors' Profiles in the Annual Report 2019.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

## Intended Outcome

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

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

## Practice 9.1

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

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board acknowledges its responsibilities for maintaining a sound and reliable system of internal controls within the Group, covering the financial controls, the operational and compliance controls, and risk management. This is a continuing process which includes risk assessments, internal controls reviews, and internal audit checks on all companies in the Group.</p> <p>The system of internal controls of the Group, by its nature are designed to provide reasonable but not absolute assurance against risk of material errors, misstatement, fraud, or losses occurring.</p> <p>The AC is tasked with the duty to assess the Group's internal control environment to determine the adequacy and effectiveness of the system of internal controls put in place by Management. The review covers the financial, operational, and compliance controls.</p> <p>The Company has implemented an Enterprise Risk Management ("ERM") Framework to ensure proper management of risks that may impede the achievement of the Company's goals and objectives.</p> <p>The ERM objectives are amongst others to ensure all risks are identified, analysed, evaluated, treated, monitored and communicated and to provide a means of prioritising the myriad of risks and control initiatives and to achieve a tolerable level of risk whilst capitalising on opportunities to maximise revenue and profits for the Company.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|

### Intended Outcome

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

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

### Practice 9.2

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Group has implemented a formal approach to the risk management framework whereby a systematic and logical methodology risk management model has been adopted to ensure key risks are identified, evaluated, properly prioritised, owners identified with proper response time set and allowed for continuous improvement.</p> <p>The key features of the Group's risk management framework and internal control system are entailed in the Statement on Risk Management and Internal Control in the Annual Report 2019.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | The Board has established a Risk & Investment Committee to oversee the company's risk management framework and policies.<br><br>All members of Risk & Investment Committee are Independent Directors. |

### Intended Outcome

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

### Practice 10.1

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The internal audit function is supported by an outsourced independent professional service provider, Afrizan &amp; Associates PLT (“<b>Afrizan PLT</b>”), to assist the AC as well as the Board in discharging their responsibilities by providing independent, objective assurance and advisory services that seek to add value and improve the Group’s operations.</p> <p>The internal auditors perform their work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.</p> <p>The AC approves their audit plan and upon completion monitor the implementation progress of their audit recommendations.</p> <p>The internal audit function provides the Board reasonable assurance of the effectiveness of the system of internal control in the Group.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>Afrizan PLT with its team of internal auditors and the Group's in-house internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>Afrizan PLT is led by Encik Mohd Afrizan Husain as a Partner. He is a member of the Malaysian Institute of Accountant (MIA), Association of Chartered Certified Accountants (ACCA), Malaysian Institute of Certified Public Accountant (MICPA), Certified Public Accountant (CPA) Australia, Certified Information Systems Auditor and Control Association (ISACA). The outsourced internal audit assignment is supported by an internal audit team with relevant qualifications and Associates who are members of the Institute of Internal Auditor Malaysia (IIAM).</p> <p>The internal audit function is competently and adequately resourced and independently positioned to assist the Board and the AC in obtaining the assurance they require regarding the effectiveness of the Group's system of internal controls.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

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

### Practice 11.1

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>Communication and engagement with stakeholders are made through various platforms i.e. media other than general meeting(s), press announcements, analyst briefings and via electronic means such as website.</p> <p>Besides the various announcements and disclosures including information on the quarterly and annual results released to Bursa Securities, the Board maintains an effective communications policy that enables the Board to communicate effectively with its shareholders, stakeholders and the public in general.</p> <p>The Board also ensures stakeholders are given the opportunity to speak and seek clarification during the Company's AGM and Extraordinary General Meeting.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

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

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

### Practice 11.2

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Company has yet to adopt integrated reporting based on a globally recognised framework. The Board acknowledges that integrated reporting goes beyond a mere combination of the reports in the Annual Report into a single document. Nevertheless, there are coordination efforts among cross-functional departments in preparing the various statements and reports in the Annual Report.</p> <p>Since the Company is not categorised under Large Companies, the Board may consider adopting integrated reporting in the future.</p> <p>Corporate information is disseminated via the Company's website and announcements made via Bursa Securities' website. At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information including future prospects. Components such as Management and Discussion Analysis, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control form an integral part of the non-financial information.</p> <p>Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

**Intended Outcome**

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

**Practice 12.1**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Notice of the 15th AGM of the Company held in 2019 was issued more than twenty-eight (28) days prior to the meeting. This was to ensure that shareholders were given sufficient time to read and consider the resolutions to be resolved. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 12.2**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>All the Directors were present at the 15th AGM of the Company held on 19 June 2019, to engage with the shareholders personally and proactively.</p> <p>Board members, Chair of the Board Committees and senior management were in attendance to respond to shareholders' enquiries. Shareholders were invited to ask questions both about the resolutions being proposed before putting them to vote as well as matters relating to the Company's operations in general and meaningful responses were given to the questions raised.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

### Intended Outcome

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

### Practice 12.3

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

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

|   |   |  |
|---|---|--|
| <b>Application</b>                                | : | Departure  |
| <b>Explanation on application of the practice</b> | : |  |
| <b>Explanation for departure</b>                  | : | <p>The Company is supportive of any technology that allows shareholders' participation at general meetings, that includes AGM. In order to implement voting in absentia and remote shareholders' participation at the general meeting(s), the Board noted several factors/conditions required to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"><li>• Availability of technology and infrastructure;</li><li>• Affordability of the technology and infrastructure; and</li><li>• Sufficient number of shareholders residing/locating at particular remote location(s).</li></ul>  |
|   |   | <p>As an alternative practice, the Company has made several arrangements and initiatives as follows:-</p> <ul style="list-style-type: none"><li>• The Company to hold the AGM of the Company in the city centre, at the state of Kuala Lumpur, Wilayah Persekutuan and are accessible by public transport.</li><li>• Shareholders of the Company who are unable to attend the AGM of the Company in person are allowed to appoint a proxy to attend and vote on his/her behalf.</li><li>• The Company has been deploying electronic poll voting to expedite to facilitate greater shareholder participation at general meetings as well as to expedite verification and tabulation of votes.</li><li>• The Company will explore the use of technology to allow voting in absentia or remote shareholders' participation.</li><li>• The Company will assess the necessity and viability for such facility taking into consideration the number of shareholders, the reliability of the technology and cost-benefit to the Company, before adopting this practice.</li></ul> |

|  |   |  |
|--|---|--|
|  | In view of the above, the Board believes that the intended outcome could still be made accordingly. |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | :   |  |
| <b>Timeframe</b>   | :   |  |

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

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

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