

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of Scanwolf Corporation Berhad (“Scanwolf” or “the Company”) recognises and subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“the Code”) as a key factor towards achieving an optimal governance framework and process in managing the business and operational activities of the Company and its subsidiaries (“the Group”).

The Board believes that good corporate governance practices are pivotal towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholders value, whilst taking into account the interests of other stakeholders. Hence, the Board is fully dedicated to continuously appraise the Group’s corporate governance practices and procedures to ensure that the principles and recommendations in corporate governance are applied and adhered to in the best interests of the stakeholders.

The Statement below sets out the manner in which the Group has applied the principles of the Code and the extent of compliance with recommendations advocated therein.

## **Principle 1 - Establish clear Roles and Responsibilities of the Board and Management**

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- Reviewing and guiding the Group’s corporate strategy and adopting a strategic plan for the Group through the development of risk policy, annual budgets and long term business plans, reviewing major capital expenditures and acquisitions.
- Monitoring corporate performance and the conduct of the Group’s business and ensuring compliance to best practices and principles of corporate governance.
- Identifying and implementing appropriate systems to manage principal risks. The Board undertakes this responsibility through the Audit Committee.
- Ensuring the existence of and reviewing the adequacy and soundness of the Group’s financial systems, internal control systems and management systems in compliance with applicable standards and laws and regulations.
- Developing and implementing an investor relation programme as well as a shareholders’ communication policy for the Group.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Policy Review Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

### *Board Charter*

The Board had formalized and approved the Board Charter. The Board Charter will be reviewed as and when to ensure that it remains consistent with the Board’s objectives and best practices. The Board Charter can be accessed at the Company’s website at [www.scanwolf.com](http://www.scanwolf.com).

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### *Code of Ethics and Conduct and Whistle-Blower Policy*

The Directors observed the code in accordance with the Company Director's Code of Ethics established by the Companies Commission of Malaysia. The Company does not adopt the Whistle-Blower policy. The Board has always conducted themselves in an ethical manner while executing their duties and function. The Board believes in open management that any issues of concern can be channeled to any Independent Directors for appropriate action.

### *Sustainability of Business*

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social, health and safety, staff welfare and governance aspects are taken into consideration. The Board takes heed of go green and energy saving by implementing several measures on sustainability.

### *Supply of, and Access to, Information*

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. The Executive Directors and/or other relevant Board members furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have access to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committees meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

### **Principle 2 - Strengthen Composition of the Board**

As at the date of this report, the Board consists of nine (9) members, comprising of a Chairman/ Independent Non-Executive Director, three (3) Executive Directors and five (5) Independent Non-Executive Directors. This composition fulfills the requirements as set out under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting; audit; taxation; corporate affairs; marketing and operations; civil engineering; property management; banking.

#### *Nomination Committee*

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The Nomination Committee has developed criteria to assess the effectiveness of the Board and individual Director. The evaluation on the Board's effectiveness is divided into six sections on the following key areas:-

- Integrity and Ethics
- Governance
- Strategic Perspective
- Judgement and Decision Making
- Communication
- Commitment

The process also assess the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, adding value, judgement and decision making, teamwork, communication and commitment.

The Company has no policy on gender diversity or target set but believes in merits and commitment of its Board members. The Nomination Committee assesses the Board members on an objective basis for both genders.

The Group also has no immediate plans to implement a diversity policy or target as it is of the view that employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender, ethnicity and age. The Group will provide equal opportunity to candidates with merit.

The Nomination Committee had met twice during the financial year and the activities of the Nomination Committee are summarised as follows:-

- (a) Reviewed and assessed the balance composition of Board members based on merits, Directors' contribution and Board effectiveness.
- (b) Reviewed and recommended the re-election of Directors who were retiring and seeking for re-election at Ninth Annual General Meeting.
- (c) Reviewed and recommended the appointment of Dato' Loo Bin Keong as Executive Director of the Company.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### Remuneration Committee

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration. During the financial year under review, the Committee met twice.

### Policy Review Committee

The policy Review Committee was established to assist the Board in ensuring that daily operations are conducted effectively and make recommendations to the Board on management's proposals.

The remuneration of Directors of the Company for the financial year ended 30 June 2016, for the Company as well as group basis are as follows:

	<b>Fees (RM)</b>	<b>Salaries (RM)</b>	<b>Other emoluments (RM)</b>	<b>Total (RM)</b>
<b>Group</b>				
Executive Directors	58,333	696,575	349,095	1,104,003
Non-Executive Directors	166,667	-	44,000	210,667
<b>Company</b>				
Executive Directors	58,333	392,555	187,408	638,296
Non-Executive Directors	166,667	-	44,000	210,667

The remuneration paid to the Directors, analysed in the following bands, is as below:-

	<b>Number of Directors</b>			
	<b>Company</b>		<b>Group</b>	
	<b>Executive Directors</b>	<b>Non-Executive Directors</b>	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
Below RM50,000	1	7	-	7
RM150,000 – RM200,000	1	-	1	-
RM400,000 – RM450,000	1	-	1	-
RM550,000 – RM600,000	-	-	1	-

### **Principle 3 – Reinforce Independence of the Board**

The Independent Non-Executive Directors bring objective and independent views, advice and judgment for the interests of the Group, shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision by giving rationale and fair view and to decide impartially.

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors.

The Board notes the recommendation of the Code on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval on a yearly basis.

Presently, the tenure of all the Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the Code.

The Chairman of the Company is an Independent Non-Executive Director and the Company does not appoint Chief Executive Officer currently.

### **Principle 4 – Foster commitment of Directors**

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers which are prepared by the Management provide the relevant facts and analysis to all Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meetings of any salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### Board Meetings

There were 7 Board meetings held during the financial year ended 30 June 2016, with details of Directors' attendance set out below:

Directors	Designation	No. of meetings attended	% of meetings attended
<b>Dato' Tan Sin Keat</b>	Executive Director	7/7	100.00
<b>En. Abdul Hamid Bin Abdul Shukor</b>	Independent Non-Executive Director	7/7	100.00
<b>Dato' Ibrahim Bin Saleh</b>	Independent Non-Executive Director	6/7	85.71
<b>En. Mohd Azizal Bin Shubali</b>	Independent Non-Executive Director	7/7	100.00
<b>Dato' Othman Bin Talib</b> (appointed on 13/07/2015)	Independent Non-Executive Director / Chairman	5/6	83.33
<b>Mr. Teoh Teik Kean</b> (appointed on 13/07/2015)	Executive Director	6/6	100.00
<b>Mr. Ong Sing Guan</b> (appointed on 13/07/2015)	Independent Non-Executive Director	6/6	100.00
<b>Dato' Loo Bin Keong</b> (appointed on 29/02/2016)	Executive Director	1/1	100.00
<b>Mr. William Wong King Nguong</b> (resigned on 29/02/2016)	Non-Independent Non-Executive Director	5/6	83.33
<b>En. Mua'amar Ghadafi Jamal Bin Jamaluddin</b> (resigned on 29/06/2016)	Independent Non-Executive Director / Vice Chairman	2/7	28.57

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. All Board members are required to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements of Bursa allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### *Directors' Training – Continuing Education Programmes*

The Company recognizes the importance of continuous professional development and training for its Directors. All the Board members have attended and successfully completed the Mandatory Accreditation Programme ("MAP") prescribed under the Main Market Listing Requirements. In addition, Directors continuously receive briefings and updates on the Group's businesses and operations, finance, corporate governance, new regulations and statutory requirements. The Board will continue to evaluate and determine the training needs of its Directors to enhance their skill and knowledge.

The External Auditors also briefed the Board members on any changes to the Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

The Company Secretaries also update the Board Members on the relevant guidelines on statutory and regulatory requirements from time to time.

The following member of the Board had attended various undermentioned programme:-

	No. of days
<b>Mr. Ong Sing Guan</b>	
Course:	
- Computerised accounting training – GST compliance	1 day
- GST – Practical Issues & Recent Developments	1 day
- GST: Essential Compliance Update & Commercial Properties Scope	1 day
- GST tax code, latest updates & making correction	1 day
- GST audit file for review & reconciliation	1 day
- Master class on LLP with tax planning consideration & GST	1 day
Seminar:	
- Perak Tax Forum 2016	1 day

Save as disclosed above, the remaining Directors were not able to attend any seminars and/or training programmes during the financial year due to busy schedules, however the Directors are currently looking for suitable training programmes.

### **Principle 5 – Uphold integrity in financial reporting by Company**

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Chairman's statement in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

#### *Statement of Directors' Responsibility for Preparing Financial Statements*

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965, Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at the end of the financial year and of the financial performance and cash flows of the Group for the financial year then ended.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 30 June 2016, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

### *Audit Committee*

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee. The composition of the Audit Committee, are set out in the Audit Committee Report of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement.

A transparent and appropriate relationship with the auditors, both internal and external has been established through the Audit Committee. The external auditors are invited to discuss the annual financial statements, their audit plan, audit findings and other special matters that require the Board's attention.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit Committee has assessed the suitability and independence of the external auditors. The external auditors have confirmed that they are independent throughout the conduct of audit engagement in accordance with terms of professional and regulatory requirements. Accordingly, the Audit Committee has recommended the re-appointment of the external auditors at the Annual General Meeting of the Company.

### **Principle 6 – Recognize and manage risks of the Group**

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartiality, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit Function reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Statement on Risk Management and Internal Control in this Annual Report.

### **Principle 7 – Ensure timely and high quality disclosure**

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. The Board observes the corporate disclosure framework under Bursa Main Market Listing Requirements and other regulatory bodies to provide timely and material information of the Group to its shareholders and other stakeholders to facilitate their decision making process. The Board also refers to the “Corporate Disclosure Guide” issued by Bursa to enhance the timeliness and quality of its disclosure.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company’s website where information on the Company’s announcements to the regulators, the Board Charter and the Company’s Annual Report may be accessed.

### **Principle 8 – Strengthen relationship between the Company and its shareholders**

#### *Shareholder participation at general meeting*

The Annual General Meeting (“AGM”), which is the principal forum for shareholder dialogue, allows shareholders to review the Group’s performance via the Company’s Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group’s operations in general.

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group’s operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day.

In compliance with the Main Market Listing Requirements of Bursa, all resolutions set out in the notice of any general meeting or notice of resolution will be voted by poll with effect from 1 July 2016.

#### *Communication and engagement with shareholders*

The Board recognizes the importance of being transparent and accountable to the Company’s investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group’s website at where shareholders can access pertinent information concerning the Group.

*This Statement is issued in accordance with a resolution of the Board dated 19 October 2016.*