

Corporate Governance Overview Statement

The Board of Directors (“the Board”) of Scanwolf Corporation Berhad (“Scanwolf” or “the Company”) recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance (“MCCG” or “the Code”) during the financial year ended 30 June 2018 (“FYE 2018”).

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (“CG Report”). The CG Report was announced together with the Annual Report of the Company on 29 October 2018. Shareholders may obtain this CG Report by accessing www.scanwolf.com for further details.

APPLICATION OF THE PRINCIPLES AS SET OUT IN THE CODE

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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.

The Board, which assumes responsibility for the Company’s leadership, is collectively responsible for meeting the objectives and goals of the Company. The Board recognizes the key role it plays in charting the strategic direction of the Company and has undertaken the following principal responsibilities in discharging its fiduciary and leadership functions:

- Reviewing the strategies, business plans and significant policies for the Company. Such strategies, business plans and significant policies will be presented by the management via its executive directors during board meetings.
- Monitoring corporate performance and the conduct of the Group’s business and ensuring compliance to best practices and principles of corporate governance.
- Establishing, approving, reviewing and monitoring the Company’s risk appetite and comprehensive risk management policies, processes and infrastructures. Thereafter, identifying and implementing appropriate systems to manage such risks. The Board undertakes this responsibility through the Audit Committee which presents these risk management activities during the Audit Committee meetings.
- Reviewing the adequacy and integrity of the Company’s internal control and management information systems.
- Considering and evaluating emerging issues which may be material to the business and affairs of the Company.
- Ensuring that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company’s management.
- Ensuring that there shall be unrestricted access to independent advice or expert advice at the Companies expense in furtherance of the Board’s duties whether as a Board or a director in his or her individual capacity.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”) 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.

Certain matters which are reserved specifically for the Board’s decision are discussed. These includes the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group and key policies, procedures and authority limits.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

- 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. (Cont'd)

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met four (4) times during the year under review. The meeting attendance record of the Directors is as follows:

Name of director	Designation	No. of meetings attended
Dato' Ong Boon Aun @ Jaymes Ong	Independent Non-Executive Director/Chairman	4/4
Dato' Loo Bin Keong	Executive Director	3/4
Dato' Tan Sin Keat	Executive Director	4/4
Dato' Ibrahim Bin Saleh	Independent Non-Executive Director	4/4
Tuan Abdul Hamid Bin Abdul Shukor	Independent Non-Executive Director	4/4
Mr Teoh Teik Kean	Executive Director	4/4
Mr Ong Sing Guan	Independent Non- Executive Director	4/4

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Director of the Company must not hold directorships of more than five (5) public listed companies and must be able to commit sufficient time to the Company.

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The details of training attended by the Directors of the Company during FYE 2018 are as follows:

Name	No. of days	Title
Dato' Ong Boon Aun @ Jaymes Ong	1/2	- The Edge Industry 4.0 - Thriving in the age of disruption
	1/2	- Corporate Governance Breakfast Series - Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability
	1	- Driving Financial Integrity & Performance - Enhancing Financial Literacy
	1/2	- Sustainability Engagement Series - Sector Specific Sustainability Reporting Workshop
	1/2	- Corporate Governance Breakfast Series - Leading Volatile Complex, Ambiguous (VUCA) World
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Dato' Loo Bin Keong	1/2	- Corporate Governance Breakfast Series - Integrating An Innovation Mindset with Effective Governance
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Dato' Tan Sin Keat	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Dato' Ibrahim Bin Saleh	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Tuan Abdul Hamid Bin Abdul Shukor	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
Mr Teoh Teik Kean	1	- Malaysian Code on Corporate Governance: New Dimension (Roadshow)
	1/2	- Corporate Governance Breakfast Series - Integrating An Innovation Mindset with Effective Governance
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
	1/2	- Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

- 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. (Cont'd)

The details of training attended by the Directors of the Company during FYE 2018 are as follows: (Cont'd)

Name	No. of days	Title
Mr Ong Sing Guan	1	- Seminar Percukaian Kebangsaan 2017
	2	- Practical Auditing Methodology for SMPs
	1	- 2018 Budget Seminar
	1	- Malaysian Financial Reporting Standard 15 (MFRS15)
	1/2	- Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide

In the future, the Board will continue to identify training needs amongst the Directors and enroll the directors for training programs, as and when required.

The Board is also 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.

In addition, 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 Malaysia Securities Berhad 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 Group also refers to the "Corporate Disclosure Guide" issued by Bursa Malaysia Securities Berhad to enhance the timelines 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.

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

The Chairman plays a pivotal role in ensuring the effectiveness of the Board by providing leadership to the Board in ensuring that the Board carries out its functions effectively, manages the interface between Board and Management. Additionally, the Chairman ensures orderly conduct and proceedings of Board meetings by leading the discussions at our Board meetings and ensure that relevant matters are included in the meeting agenda alongside allocating sufficient time for discussions.

- 1.3 The positions of Chairman and Chief Executive Officer are held by different individuals.

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

The Group has a clear distinction and separation of roles between the Chairman and the Executive Directors, with clear division of responsibilities in order to ensure a clear balance of power between the Chairman and the Executive Directors.

The Chairman leads the Board in its collective oversight of management, while the Executive Directors are primarily responsible for the day-to-day management of the Group. Executive Directors are responsible for developing the business direction of the Group, ensure that the business strategies and policies are effectively implemented and to explain, clarify and inform the Board on matters pertaining to the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

- 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.**

The Board is supported by experienced, competent, and knowledgeable Company Secretary who is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

The Company Secretary advise the Board on the issues relating to the Company's constitution, Malaysian Code on Corporate Governance, Companies Act 2016 and Listing Requirements of Bursa Malaysia Securities Berhad.

The Board obtained appropriate advice and services, if necessary, from Company Secretary to ensure adherence to Board meeting procedures and compliance with regulatory requirements.

- 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.**

Meeting materials alongside with the meeting agenda and the relevant papers submitted by management are issued and circulated in time for the members of the Board and Committees at least seven (7) days prior to each meeting.

The meetings of the Board and the board committees are properly minuted and circulated to all Board members.

All Board members/board committees' members reviewed and confirmed the minutes of the meetings to ensure they accurately reflect the deliberations and decision of the Board, including whether any Director abstained from voting or deliberation on a particular matter. The signed board minutes are kept at the Company's minutes book.

- 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.

The Board has made available its Board Charter on the corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. The Board Charter is subject to periodic review to ensure that it continues to be relevant and applicable as a reference to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. On this, the Board has on 31 May 2018 reviewed its Board Charter. The Board Charter can be accessed at the Company's website at www.scanwolf.com.

- 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.

The Company's Codes of Conduct and Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors. The Code of Conduct and Ethics for Directors includes principles relating to corporate governance; conflict of interest; relationship with employees; shareholders and business partners; social responsibilities and environmental commitment; compliance with laws, rules and regulations and dealings in securities are available at the Company's website.

- 3.2 The Board establishes, reviews and together with management implements policies and procedures on whistleblowing.**

The Company does not adopt a whistleblowing 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 channelled to any Independent Directors for appropriate action. Nonetheless, the Company is in the midst of formulating a whistleblowing policy and the Company expects to adopt a whistleblowing policy by the second quarter of financial year ending 30 June 2019.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION

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

As at 30 June 2018, there are seven (7) Board members; of which four (4) are Independent Directors and three (3) are Non-Independent Directors. The Independent Directors constitute 57.14% of the Board. The Board composition also complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.

It is within the viewpoint of the Board that with the current composition of Directors and their individual backgrounds and specialisations, the Company is aided with a wide range of experience and expertise in areas such as finance, accounting and audit, taxation, corporate affairs, marketing, property management and banking.

To ensure that the Company promotes corporate governance effectiveness, the Independent Non-Executive Directors are in place to provide check and balance in the function of the Board and reflects the Company's commitment to uphold effective corporate governance.

The profile of each of the members of the Board is set out at pages 6 to 8 of this Annual Report.

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.

The Independent Non-Executive Directors bring objective and independent views, advice and judgment on interests, not only of the Group, but also of 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.

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

4.3 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.

To maintain the best interest of the Company, diversity within the Board, Senior Management and all levels of the organization is applied. In line with this, the Board and Senior Management are appointed based on merit, mix of skills, competencies, experience, professionalism and other relevant qualities which involve age and cultural background to have better governance in the Group.

4.4 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.

At present, the Company does not maintain a gender diversity policy as recommended by the Code. The Company is in the midst of formulating a gender diversity policy which will encapsulates the objectives, principles and measures of the Group's diversity culture. The Board is supportive in upholding gender diversity within the boardroom and the Management with due consideration on merited factors, such as, skills, experience, attitude and suitability of any potential candidates.

Hence, as part of the Company's succession planning, gender diversity objectives will constantly be observed as a key consideration by the Company even without any specific targets determined. The Board is taking steps to identify women candidates for appointment to the Board.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

- 4.5 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.**

The Company has in place, its procedures and criteria for identifying candidates for appointment of directors. All candidates for appointment are first considered by the Nomination Committee, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities to manage the Company.

- 4.6 The Nomination Committee is chaired by an Independent Director or the Senior Independent Director.**

Dato' Ong Boon Aun @ Jaymes Ong, Independent Non-Executive Director chairs the Nomination Committee.

During the financial year ended 30 June 2018, the Nomination Committee held two (2) meetings and carried out activities in the discharge of its functions and duties.

- 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.

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 four sections on the following key areas:

- Adding value
- Conformance
- Stakeholder Relationship
- Performance management

The process also assesses the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.

The Nomination Committee also undertakes annual assessment of the independence of its independent directors based on required mix skills, criteria of independence as per requirements of Main Market Listing Requirements, meeting attendance, ability to ensure effective checks and balances on the Board's decision making process, constructively challenge business propositions and contributes to the development of business strategy and direction of the Company, ensures that adequate systems and controls to safeguard the interests of the Company are in place and continuous updating of knowledge and enhancing of skills through attendance of business related trainings

The Nomination Committee had met two (2) times during the financial year and activities of the Nomination Committee are as follows:

- Reviewed and assessed the current composition of Board and Board committees.
- Reviewed and recommended the re-election of Directors who were retiring and seek for re-election at Eleventh Annual General Meeting.
- Reviewed and recommended to the Board the potential candidate as Independent Non-Executive Director of the Company.
- Reviewed and assessed the effectiveness of the Board and the contribution of each individual director.
- Reviewed and assessed performance of independent directors.
- Reviewed the term of office and performance of audit committee and each of its members.

The Nomination Committee and the Board was satisfied with the current composition of the Board and Board committees as well as the performance of the Directors and independence of the Independent Directors.

The terms of reference of the Nomination Committee can be viewed at the Company's website at www.scanwolf.com.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION

- 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.**

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of the caliber to run the Group successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

While the Board has not formalised its remuneration policies, it is the practice of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

- 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.

At present, the RC consists of three (3) Independent Non-Executive Directors, which meet the recommended practice of having a full composition of Non-Executive Directors as members.

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 two (2) times attended by all members.

The Board as a whole approves the remuneration of the Executive Directors with the Directors concerned abstaining from the decision in respect of their remuneration.

The Remuneration Committee has written Terms of Reference which deals with its authority and duties. The Board will take necessary step to publish the Terms of Reference of Remuneration Committee on the Company's website at www.scanwolf.com.

- 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.**

In order to enable stakeholders to assess whether the remuneration of Directors commensurate with their individual performance, the detailed disclosure on named basis for the remuneration of Directors is disclosed.

The details of the remuneration of each Directors of the Company received from the Company and on group basis respectively during the financial year ended 30 June 2018 are as follows:

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

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. (Cont'd)

a) Group Level

	Fees RM	Salaries RM	Bonus RM	Other Emoluments RM	Total RM
Executive Directors					
Dato' Loo Bin Keong	30,000	403,200	5,000	153,632	591,832
Dato' Tan Sin Keat	32,000	340,500	5,000	144,848	522,348
Mr Teoh Teik Kean	30,000	320,676	5,000	125,536	481,212
Independent Directors					
Dato' Ong Boon Aun @ Jaymes Ong	42,000	-	-	7,500	49,500
Mr Ong Sing Guan	37,000	-	-	6,000	43,000
Dato' Ibrahim Bin Saleh	36,000	-	-	7,500	43,500
Tuan Abdul Hamid Bin Abdul Shukor	34,000	-	-	7,500	41,500
Total	241,000	1,064,376	15,000	452,516	1,772,892

b) Company Level

	Fees RM	Salaries RM	Bonus RM	Other Emoluments RM	Total RM
Executive Directors					
Dato' Loo Bin Keong	30,000	403,200	5,000	153,632	591,832
Dato' Tan Sin Keat	32,000	-	-	6,000	38,000
Mr Teoh Teik Kean	30,000	320,676	5,000	125,536	481,212
Independent Directors					
Dato' Ong Boon Aun @ Jaymes Ong	42,000	-	-	7,500	49,500
Mr Ong Sing Guan	37,000	-	-	6,000	43,000
Dato' Ibrahim Bin Saleh	36,000	-	-	7,500	43,500
Tuan Abdul Hamid Bin Abdul Shukor	34,000	-	-	7,500	41,500
Total	241,000	723,876	10,000	313,668	1,288,544

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

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.

The top five Senior Management's remuneration for the financial year ended 30 June 2018, in bands of RM50,000 is as follow:

Range of remuneration	No. of Senior management
RM550,001 to RM600,000	1
RM500,001 to RM550,000	1
RM450,001 to RM500,000	1
RM300,001 to RM350,000	1
RM200,001 to RM250,000	1
Total	5

The Board is of the view that the disclosure in accordance with the recommendation of Practice 7.2 is not in the best interest of the Company and has decided to depart from the recommendation in order to alleviate valid concerns on the confidentiality of remuneration packages and given the competitiveness in the employment environment.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

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

The Chairman of the Audit Committee is Mr Ong Sing Guan who is an Independent Director whereas the Chairman of the Board is Dato' Ong Boon Aun @ Jaymes Ong. At present, the Audit Committee comprises of three (3) members of the Board who are Independent Directors.

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

Presently, none of the members of the Board were former key audit partners of the Company's external auditors. Hence, no former key audit partner is appointed to Audit Committee.

The Board took note of the recommended of the Code and will update its policy to stipulate that no former key audit partner shall be appointed as a member of the Audit Committee unless he/she has observed a cooling-off period of at least two (2) years before the appointment.

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

The Audit Committee is responsible for the annual assessment of the competency and independence of the external auditors. Having assessed the performance and independence of the external auditors, the Audit Committee will recommend the re-appointment of external auditors to the Board, who will then seek the shareholders' approval at the Annual General Meeting.

The external auditors are required to declare their independence annually to the Audit Committee as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the Audit Committee of the Company.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

I. AUDIT COMMITTEE (Cont'd)

8.3 The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor. (Cont'd)

During the year, the Audit Committee conducted an annual assessment of the external auditors based on the following conditions:

- Calibre of External Audit Firm
- Quality Processes/Performance
- Audit Team
- Independence and Objectivity
- Audit Scope and Planning
- Audit Fees
- Audit Communications

During the year, the external auditors reported the details of the non-audit services rendered which includes review of Interim Financial Information of the Group, review of the Statement on Risk Management and Internal Control and agreed upon procedures on Housing Development accounts and tax compliance.

Furthermore, the external auditors provided a confirmation to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

On 29 August 2017, an annual assessment on the suitability and independence of external auditors was conducted by the Audit Committee. The Audit Committee was satisfied with the performance and independence of the external auditors. The Audit Committee has recommended their re-appointment to the Board, upon which shareholders' approval will be sought at the Eleventh AGM.

In addition to the above, the Audit Committee meets with external auditors at least twice a year to discuss their audit plans, audit findings and the Company's financial statements. Also, the Audit Committee meets with the external auditors additionally whenever the need arises. Two discussion sessions between the Audit Committee and the external auditors were held on 29 August 2017 and 31 May 2018 respectively without the presence of the Executive Directors and the Management. Furthermore, the external auditor attends every annual general meeting whereby the financial statements of the company for a financial year are to be laid to respond according to his knowledge and ability to any question raised in regards to the financial statements' audit.

8.4 The Audit Committee should comprise solely of Independent Directors.

Currently, the Audit Committee of the Company comprises solely of Independent Non-Executive Directors.

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.

The members of the Audit Committee presently fulfills the requirement set out within the Main Market Listing Requirement - Paragraph 15.09, which stipulates the necessary skills and experiences required to be a member of the Audit Committee.

Within the current composition of the Audit Committee, majority of the Audit Committee members have the necessary financial, commercial expertise and capital markets skills, experience required to meet their responsibilities and provide an effective level of challenge to the Management. On an ongoing basis, the Audit Committee members will participate in training and development sessions in order to ensure that the members are educated with the latest developments in accounting and auditing standards, guidelines and practices.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

In order to be effective in discharging these responsibilities, the Board is assisted by the Audit Committee which functions as an oversight body to review controls and systems in general and to carry out on-going assessment over the adequacy and effectiveness of the risk management and internal control practices within the organisation.

In addition to the abovementioned, the Board is supported by the Management in developing, implementing and monitoring practices for identifying and managing risks. This is added with the role of the Management to provide assurance that the necessary control practices are adhered and carried out accordingly based on stipulated policies and framework.

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

During the year, an assurance is provided by the Executive Directors and Chief Financial Officer that the Group's risk management and internal controls have been operating adequately and effectively, in all material aspects, during the year under review and up to the date of this Statement to the Board. Taking into consideration this assurance during the Board's assessment of the Group's risk management and internal control, the Board is of the view that the systems of internal control and the risk management is considered adequate for the Group's business operations.

The key elements and overall state of the internal control and risk management framework of the Group have been disclosed accordingly within the Annual Report.

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

As disclosed within the Terms of Reference of the Audit Committee, one of the primary responsibilities of the Audit Committee is to administer the review and assessment of the Company's internal audit function.

The internal audit function is currently outsourced to an external professional firm/service provider who reports directly to the Audit Committee, i.e. by providing independent and objective reports on the state of internal control of the various operations within the Group and the extent of compliance on established policies and procedures.

The Audit Committee has on 28 August 2018 carried out an assessment on the performance of the outsourced internal audit function and has reported such assessment to the Board.

Details of the internal audit function and activities relevant to the discharge of the Audit Committee's responsibilities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report of the Company's Annual Report 2018.

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.

The Company's internal audit function is outsourced to Finfield Corporate Services Sdn Bhd. The internal auditors on the Engagement Team are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The number of staff deployed for the internal audit reviews ranges from 2 to 3 staffs per visit including the Engagement Director.

The Engagement Director is Mr Tan Yen Yeow who has diverse professional experience in internal audit and risk management. He is a Member of the Institute of Internal Auditors Malaysia and a member of the Malaysian Institute of Accountants.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

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

The Board believes that effective communication fosters better understanding of the Group's objectives and financial performance. In order to promote effective communication with the Company's stakeholders, information/results are made available through timely announcements and disclosure, executed via the Bursa Malaysia Securities Berhad's website, the Company's webpage, press releases and annual reports in line with the disclosure requirements of Main Market Listing Requirements.

Additionally, the Company emphasises on providing a principal platform for dialogue and interactions with stakeholders, i.e. primarily its shareholders, through its Annual General Meeting. The Annual General Meeting serves as a principal forum for dialogues with individual shareholders as it provides shareholders the opportunity to ask questions about the proposed resolutions or about the Company's operations in general.

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

This recommended practice is not applicable for the Company, as it is not classified as a "Large Company".

II. CONDUCT OF GENERAL MEETINGS

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

The Company ensures the adherence of the stipulated period of issuance for notice of Annual General Meeting ("AGM"), in which all AGM notice and related circulars are provided at least 28 days in advance to enable shareholders to make adequate preparation.

In addition to sending the notice, the Company also published the AGM Notice on its website and the information still remains on its website.

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

All the Directors of the Company attend General Meetings in order to engage directly with shareholders and to take up any relevant questions which are related to matters that fall under the purview of the Board Committees or Board, unless unforeseen circumstances preclude them from attending General Meetings.

At the Eleventh AGM of the Company held on 28 November 2017, all the Directors attended the AGM accordingly.

The shareholders present at the AGM were invited to ask questions about the resolutions being proposed at the AGM before putting them to vote by poll.

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.

The Company does not have a large number of shareholders and conducts its general meetings at a well-established and convenient location on a consistent basis.

The Company sends out Notice of General Meeting within appropriate and considerate timeframe in order to give shareholders ample preparation time. For circumstances whereby shareholders are not able to attend the meetings physically, they are entitled to appoint representatives or proxy(ies) to represent on their behalf.

This statement is issued in accordance with a resolution of the Board dated October 24, 2018.