

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5072
COMPANY NAME : Hiap Teck Venture Berhad
FINANCIAL YEAR : 31 July 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application :	Applied
Explanation on application of the practice :	<p>The Company is led by a proactive Board which is primarily responsible for determining the strategic direction and sustainable goals of the Company and its subsidiaries ("the Group"), maintaining effective control over management oversight, and monitoring the overall conduct and performance of the Group's business and promoting ethical business throughout the Group. It also review corporate strategies budget, risk management, operations and the performance of the business segments and bring to bear independent judgement on issues relating to conflict of interest, of strategy, risk management, performance, resources, governance and code of conduct and ethics to ensure that decisions made and actions taken will promote transparency, accountability and sustainability of the Group. The Board as a whole is dedicated to practise clear demarcation of duties, responsibilities and authority within the Company. The Board recognises the importance of good corporate governance and applies the Practices as set out in the Code and the MMLR to enhance business prosperity and maximise shareholders' wealth.</p> <p>The Board is, therefore, committed to ensure and maintain that a high standard of corporate governance is practised throughout the Group to effectively discharge its responsibilities with integrity, transparency and professionalism to protect and ultimately to enhance the shareholders' value and those of the other stakeholders.</p> <p>Hence, the Board will continue to play a critical role in setting the appropriate tone at the top, providing leadership and promoting good governance and ethical conduct and practices throughout the Group.</p> <p>The Board has five (5) Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC"), Risk Management Committee ("RMC") and Employee Share Option Scheme ("ESOS") Committee to assist the Board in discharging its responsibilities in order to ensure the Company meets its objectives and improves the management performance as well as ensuring the maximisation of shareholders' wealth. The terms of reference for each of the Committees are reviewed periodically and amended accordingly after approval by the Board.</p>

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

Intended Outcome

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

Practice 1.2

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

Application :	Applied
Explanation on application of the practice :	<p>The Board is led by a competent Chairman, Tan Sri Abd Rahman Bin Mamat who is an Independent Non-Executive Director and is primarily responsible for effective operation and performance of the Board.</p> <p>To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board has amongst others adopted the following measures from Guidance 1.1 of the Code:</p> <ul style="list-style-type: none">• together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;• review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;• ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;• supervise and assess management performance to determine whether the business is being properly managed;• ensure there is a sound framework for internal controls and risk management;• understand the principal risks of the company's business and recognise that business decisions involve the taking of appropriate risks;• set the risk appetite within which the board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;• ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;• ensure that the company has in place procedures to enable effective communication with stakeholders; and

	<ul style="list-style-type: none"> • ensure the integrity of the Company’s financial and non-financial reporting. <p>Key responsibilities of the Chairman as set out in Guidance 1.2 of the Code have been adopted by the Company to be the duties and responsibilities the Chairman of the Company:</p> <ul style="list-style-type: none"> • provides leadership for the board so that the board may perform its responsibilities effectively; • sets the board agenda and ensures that board members receive complete and accurate information in a timely manner; • leads board meetings and discussions; • encourages active participation and allows different views to be freely expressed; • manages the interface between board and management; • ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and • leads the board in establishing and monitoring good corporate governance practices in the company 	
Explanation for departure :	N/A	
	N/A	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :	N/A	
Timeframe :	N/A	N/A

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 Executive Deputy Chairman are held by different individuals.

Application :	Applied	
Explanation on application of the practice :	<p>In order to promote accountability, transparency and to ensure the balance of power and authority, there is a clear demarcation of responsibility and roles between the Independent Non-Executive Chairman and the Executive Deputy Chairman. The positions of Independent Non-Executive Chairman and Executive Deputy Chairman are held by different individuals. In this regards, no one individual can influence Board's discussions and decision making.</p> <p>The Chairman's main responsibility is to ensure effective conduct of the Board and Board meetings and unrestricted and timely access by all Directors to all relevant information necessary for decision making. The Chairman leads discussion on strategies and policies recommended by the Management and lead the Board on its collective oversight of management.</p> <p>The Executive Deputy Chairman who is assisted by the three (3) Executive Directors focus on the day-to-day management of the Company and is responsible for the implementation of the Board's policies and decisions as well as supervising the operation of the Group and developing and implementing business strategies.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 1.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board is supported by an experienced and competent Company Secretary who is qualified to act as secretary under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretary of Hiap Teck Venture Berhad, Mr Ng Yim Kong is a secretary licensed by the Registrar of Companies by virtue of Section 235(2) of the Companies Act 2016. The Company Secretary provides support to the Chairman of the Company to ensure the effective functioning of the Board.</p> <p>The Company Secretary and/or his representatives also organises and attends all Board Meetings and Board Committees' Meetings ensuring accurate and proper recording of issues discussed, decisions made and conclusions taken and facilitate Board communication. He also manages the processes of the annual general meeting and extraordinary general meeting (if any).</p> <p>The Company Secretary updates the Board of Directors regularly on amendments to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), practice and guidance notes or circulars issued by Bursa Securities from time to time and on the development of or amendments to the Companies Act 2016. Overall, the Company Secretary advises the Board on the corporate disclosures and compliances with the company and securities regulations and listing requirements. In addition, the Company Secretary serves notices to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares in accordance with Chapter 14 of the MMLR. He also ensures that all appointments and resignations of directors are in accordance with the relevant legislation and the Performance Assessment of the Board, Board Committees and individual Directors are properly executed.</p>
Explanation for departure :	N/A
	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

Measure	:	N/A	
Timeframe	:	N/A	N/A

Intended Outcome

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

Practice 1.5

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

Application :	Applied	
Explanation on application of the practice :	<p>The Board of Directors are supplied with and have unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. This information includes both verbal and written details.</p> <p>All scheduled meeting held during the year were preceded by a formal agenda issued by the Company Secretary in consultation with the Chairman. Prior to the meetings, appropriate documents which include agenda and reports relevant to the issues of the meetings are circulated to all members. All Directors have sufficient time to appreciate issue deliberated at meetings which in turn enhances the decision-making process. Further details or supplementary information may be provided when the needs arise.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 2.1

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

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

Application :	Applied	
Explanation on application of the practice :	<p>The Board Charter was adopted by the Board to emphasize its commitment to good corporate governance practices of the Code. The Board Charter sets out, amongst others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, the relationship between the Board and management and the shareholders of the Company as well as issues and decisions reserved for the Board. More importantly, the Board Charter sets out the key values, principles and ethos of the Company as policies and strategy development are based on these considerations.</p> <p>The Board Charter is periodically reviewed and updated by the Board to ensure that it remains consistent with the Board’s objectives and responsibilities. The Board Charter is available at the Group’s website www.htgrp.com.my.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 3.1

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

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

Application :	Applied	
Explanation on application of the practice :	The Company has adopted a Code of Ethics and Conduct for Directors to focus on areas of ethical risk, managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, and to provide guidance to Directors to assist them to recognise and deal with unethical conduct and help to foster a culture of honesty, trust, and responsibility. The Code of Ethics and Conduct is a part of the Company's commitment to integrity, accountability, transparency and self-regulation. It is a set of acceptable practices to guide the behaviour of the Directors. The Code of Ethics and Conduct is available at the Group's website www.htgrp.com.my .	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 3.2

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

Application :	Departure	
Explanation on application of the practice :	N/A	
Explanation for departure :	Although the Company has yet to establish a formal and written policy and procedure on whistleblowing, the Company's culture encourage open communication, constructive feedback and suggestions across all levels of functionalities and positions. Employees have access to and can bring their matters and issues of concern to immediate superiors, or to any directors, Human Resource department, or any member of management for appropriate action.	
	The Board will undertake to develop and adopt a formal and written policy and procedure on whistleblowing for the Group.	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 4.1

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

Application :	Departure	
Explanation on application of the practice :	N/A	
Explanation for departure :	The Board comprises seven (7) members; four (4) of whom are Executive Directors and three (3) are Independent Non-Executive Directors. The Board is therefore, in compliance with Paragraph 15.02 of the MMLR of Bursa Securities, which requires that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors but does not comply with Practice 4.1 of the Code which recommended at least half the Board to comprise independent directors. The reduction from 4 Independent Non-Executive Directors to 3 Independent Non-Executive Directors was due to the resignation of Mr. Ng Soon Lai @ Ng Siek Chuan who had exceeded nine (9) years in his terms of office as an Independent Non-Executive Director. The number of independent directors can be increased from the present three to four upon the identification of a suitable candidate for the post.	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 4.2

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

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

Application :	Applied	
Explanation on application of the practice :	It is the present policy of the Company that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Director will have to resign unless he is retained by the Board as a Non-Independent Director. This is in compliance with practice 4.2 of the Code. However, the Board may, in exceptional cases and subject to the assessment of the Nominating Committee on an annual basis, recommend for an Independent Director who had served for a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to Shareholders' approval with justification given. None of the Independent Directors of the Company have served for a cumulative term of more than nine (9) years up to the financial year ended 31 July 2018 except for Mr. Ng Soon Lai @ Ng Siek Chuan who had resigned on 26 June 2018 after completing a cumulative term of 9 years in office.	
Explanation for departure :	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Adopted
Explanation on adoption of the practice :	The Board through its Board Charter has a policy which limits the tenure of its Independent Directors to nine (9) years.

Intended Outcome

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

Practice 4.4

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

Application :	Applied	
Explanation on application of the practice :	The Company is led and managed by an experienced Board comprising members with the appropriate mix of skill, diversity, qualification, knowledge and experience in the relevant fields such as finance, law, accounting, metallurgy, material science, management, economics, corporate affairs, entrepreneurship and management. Collectively, the Directors bring a broad range of skills, expertise, knowledge and independent judgement to successfully direct and supervise the attainment of the Group's corporate strategy, business and financial oversight.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 4.5

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

Application :	Departure	
Explanation on application of the practice :	N/A	
Explanation for departure :	Although the Company has no specific policy or target on gender diversity, the Board acknowledges the importance of gender diversity in the Group's workforce and on the Board, and the positive impact gender diversity can have on the Board's decision-making process and Group's performance. However, it is of the view that Board membership is dependent on the potential candidate's skills, experience, core competencies and other qualities regardless of gender, age and ethnicity.	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 4.6

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

Application :	Applied	
Explanation on application of the practice :	<p>There is a formal and transparent procedure which had been endorsed by the Board for the appointment of new Directors. To facilitate appointments to the Board, the Company had set up the Nominating Committee to provide a formal and transparent procedure for appointment of new Directors to the Board. The Nominating Committee shall be primarily responsible for identifying and recommending to the Board new candidates to be appointed as Directors to the Board and also recommending Directors to fill the seats on Board Committees.</p> <p>Presently, the selection of candidates is solely based on recommendations made by existing Board members, management or major shareholder but may include sourcing from a directors’ registry and open advertisement or the use of independent search given in future if suitable candidates are not readily available.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 4.7

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

Application :	Applied	
Explanation on application of the practice :	The Chairman of Nominating Committee (“NC”), Tan Sri Abd Rahman Bin Mamat is an Independent Non-Executive Director.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 5.1

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

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

Application :	Applied
Explanation on application of the practice :	<p>The assessment of independence of the Directors based on the provisions of the MMLR covers a series of objective tests and is carried out before the appointment of the Independent Directors. Further, the Board with assistance from the Nominating Committee will carry out annual assessment of the effectiveness of the Board as a whole, including Independent Non-Executive Directors and consider whether the Independent Director can continue to bring independent and objective judgement to the Board deliberations.</p> <p>Any Director who considers that he has or may have a conflict or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decision in any matter concerning the Company is required to immediately disclose to the Board of such an interest and to abstain from participating in any discussion or voting on the matter concerned.</p> <p>For the financial year ended 31 July 2018, the Board through the Nominating Committee, had assessed the effectiveness of the Board as a whole and the Board Committees; contribution and performance of each individual Director; independence of Independent Directors and training courses required by the Directors on an ongoing basis. The Board also reviewed the required mix of skills, experiences and other qualities including core competencies, which Non-Executive Directors should bring to the Board.</p> <p>For the financial year ended 31 July 2018, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria set out in the MMLR of Bursa Securities. The Board is satisfied with the level of independence and time commitment demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. All the Independent Directors have given written confirmation declaring their independence to the Board.</p>
Explanation for departure :	N/A
	N/A

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

Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 6.1

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

Application :	Applied	
Explanation on application of the practice :	<p>The Company has specific remuneration policies and procedures to determine the remuneration of Directors and Senior Management. For the financial year ended 31 July 2018, the Remuneration Committee recommended to the Board the remuneration packages of the Executive Directors and Senior Management, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. The Individual Directors concerned abstain from decision in respect of their individual remuneration.</p> <p>The remuneration of Directors is determined based on the responsibility, contribution and performance of each Director. It is the Company's policy to link the Executive Directors' rewards to individual and corporate performance whilst the remuneration of the Non-Executive Directors including the Non-Executive Chairman is determined in accordance with their experience and the level of responsibilities assumed.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 6.2

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

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

Application :	Applied
Explanation on application of the practice :	<p>The Company has a Remuneration Committee that assists the Board by recommending the remuneration packages of each individual Executive Director, Non-Executive Director and Senior Management. The Remuneration Committee is entrusted with the following responsibilities:</p> <ul style="list-style-type: none">• To recommend to the Board the framework of Executive Directors' and Senior Management's remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary taking into account the Company's desire to attract and retain the right talent in the Board and senior management to achieve the Company's long term objectives.• To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors.• To recommend to the Board any performance related pay schemes for Executive Directors.• To review and where appropriate, to recommend revision of Executive Directors' scope and terms of service contracts.• To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions.• To review periodically the policies and procedures to determine the remuneration of directors and senior management which takes into account the demands, complexity and performance of the Company as well as skill and experience required. <p>The terms of reference of the Remuneration Committee is made available on the Company's website at www.htgrp.com.my.</p>
Explanation for departure :	N/A

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

Intended Outcome

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

Practice 7.1

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

Application :	Applied	
Explanation on application of the practice :	The details of the remuneration of Directors for the financial year ended 31 July 2018 are disclosed on named basis in the Statement on Corporate Governance in the Company's 2018 Annual Report.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 7.2

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

Application :	Departure	
Explanation on application of the practice :	N/A	
Explanation for departure :	The Board is of the opinion that such disclosure would not be beneficial to the individual Senior Management's staff's interest due to the following reasons:- (a) Confidentiality and sensitivity of personal information of Senior Management. (b) Will give rise to breach of personal data protection. (c) Security concerns for the staff including their family members. (d) Can potentially create friction among the staff. (e) Encourage staff pinching or poaching of executives in the industry.	
	The Board ensures that the remuneration of Senior Management commensurates with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	The Company will review and consider disclosing the top 5 senior management's remuneration component in bands width of RM50,000 on named basis in near future.	
Timeframe :	Others	Within 5 years

Intended Outcome

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

Practice 7.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	N/A

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application :	Applied	
Explanation on application of the practice :	<p>The Audit Committee ("AC") has three (3) members; all of whom are Independent Non-Executive Directors.</p> <p>The Chairman of the AC, Mr. Leow Hoi Loong @ Liow Hoi Loong, is the Independent Non-Executive Director while the Chairman of the Board is Tan Sri Abd Rahman Bin Mamat.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application :	Applied	
Explanation on application of the practice :	The Company has a policy that requires a former key audit partner of the Group audit to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee ("AC"). Currently, no former key audit partner is appointed as a member of the Audit Committee.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application :	Applied	
Explanation on application of the practice :	The Audit Committee ("AC") which comprises exclusively of Independent Non-Executive Directors, is responsible for reviewing and monitoring the Group's internal audit processes, its external auditors and of the integrity of the Group's financial statements. The AC is responsible for approving audit and non-audit services provided by the external auditors. In the process, the AC will ensure that the independence and objectivity of the external auditors are not compromised. The Group has established a formal, transparent and professional relationship with its external auditors. The AC reviews the audit plans, scope of audit report as well as their professional fees, performance and appointment.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Adopted
Explanation on adoption of the practice :	The Audit Committee comprises Directors all of whom are Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee

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

Practice 8.5

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

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

Application :	Applied	
Explanation on application of the practice :	All the Audit Committee members who are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting policies, carried out their duties in accordance with the terms of reference of the Audit Committee which are made available on the Company's website at www.htgrp.com.my . All the Audit Committee members undertake continuous professional development and training to ensure that they keep abreast of the relevant development in accounting and auditing standards, practices and rules.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 9.1

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

Application :	Applied	
Explanation on application of the practice :	The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group's systems of risk management, identifying principal risks and opportunities and establishing an appropriate control environment and framework to manage risks and take advantage of opportunities. The key risk categories of the Group are financial risk associated to corporate funding and gearing, foreign exchange risk, supply chain risk, regulatory risk, market risk, credit risk and inventory risk. The internal audit function is outsourced to an outside internal audit service provider to assist the Board in ensuring that the risk management and internal control framework is effective and robust.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 9.2

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

Application :	Applied	
Explanation on application of the practice :	The features of the Company's risk management and internal control framework are available in the Statement on Risk Management and Internal Control of the Company's 2018 Annual Report.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application :	Adopted
Explanation on adoption of the practice :	<p>The Company established a Risk Management Committee ("RMC") on 30 March 2010 and has been delegated by the Board to assume responsibility for the Group's risk oversight. The RMC which meets at least four times a year provides oversight, direction and counsel to the Group risk management process and considers any matter relating to the identification, assessment, monitoring and management of any risk associated with the Group that it deems appropriate.</p> <p>The terms of reference of the Risk Management Committee are available on the Company's website at www.htgrp.com.my.</p>

Intended Outcome

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

Practice 10.1

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

Application :	Applied	
Explanation on application of the practice :	The internal audit function of the Company is currently outsourced and reports directly to the Audit Committee. To the best of the Board's knowledge, the outsourced internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The internal audit function is responsible to assist the Audit Committee in discharging its duties and responsibilities.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 10.2

The board should disclose—

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

Application :	Applied	
Explanation on application of the practice :	<p>The internal audit function of the Group is outsourced to NGL Tricor Governance Sdn Bhd (“the Internal Auditors”). The Internal Auditors and its assigned personnel to the Group are free from any relationships or conflict of interest that could impair their objectivity and independence pursuant to written declaration made by them.</p> <p>The Internal Auditors assigns four (4) staff to the Group to carry out internal audit assignments.</p> <p>The Internal Auditors is headed by its director, Mr. Chang Ming Chew, who is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia, the Association of Chartered Certified Accountants (UK) and the Malaysian Institute of Accountants.</p> <p>The internal audit function conducts its work by referring to a recognised framework, such as the International Professional Practices Framework issued by the Institute of Internal Auditors.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

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

Practice 11.1

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

Application :	Applied
Explanation on application of the practice :	<p>The Board recognises the importance of effective ongoing engagement communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations and to enable the stakeholders to make informed decisions with respect to the business of the Company, its parties on governance, the environment and social responsibility.</p> <p>Information is disseminated through various disclosures and announcements made to Bursa Securities which includes financial results and corporate developments. The Company's website at www.htgrp.com.my provides shareholders and investors with the overview information of the Group's business, the latest updates of the Company and the announcements of the quarterly financial results made via Bursa Link. Shareholders and investors may contact the persons identified in the website to enquire more about the Company and the Group.</p> <p>The Company meets financial analysts, as and when requested, to give them an overview of the Group's performance and operations. Through these channels, the Company has the opportunity to directly address, explain or clarify issues that investors and analysts may have regarding the business, operations and prospects of the Group.</p> <p>The Annual General Meeting is the principal forum for dialogue with all shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's 2018 Annual Report before the meeting.</p>
Explanation for departure :	N/A
	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	N/A

Timeframe	:	N/A	N/A
------------------	---	-----	-----

Intended Outcome

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

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

Practice 11.2

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

Application :	N/A	
Explanation on application of the practice :	N/A	
Explanation for departure :	The Company is not under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance for the time being. Hence, such requirement is not applicable.	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 12.1

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

Application :	Applied	
Explanation on application of the practice :	<p>According to Article 54 of Company's Articles of Association, notice of Annual General Meeting will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed. The 21 days' notice is within the requirement stipulated by the Companies Act 2016 under Section 316 and Paragraph 9.19 of the MMLR of Bursa Securities. The Board is aware that Practice 12.1 of the Code which encourages the Company to send out Notice for its Annual General Meeting to the shareholders at least 28 days prior to the meeting. Since the Notice of the Annual General Meeting will be sent on 19 November 2018 while its AGM will only be held on 17 December 2018, i.e. more than 28 days prior to Annual General Meeting, the Company complies with Practice 12.1 of the Code.</p> <p>At the Annual General Meeting, the Board encourages shareholders' participation by providing opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. The Directors and the Chair of Board Committees are present at the Annual General Meeting to answer questions and consider suggestions. The External Auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.</p> <p>At the start of the last year's Annual General Meeting held on 18 December 2017, the Board's reply to the Minority Shareholders' Working Group's ("MSWG") query Letter dated 14 December 2017 was read out to the Shareholders present at the Meeting. A copy of this reply to MSWG can be found at the Company's website at www.htgrp.com.my.</p>	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 12.2

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

Application :	Applied	
Explanation on application of the practice :	All Directors, including the members of the Board Committees, will attend and participate on matters relating to them at the Company's General Meeting and are available to give response if there are any questions addressed to them.	
Explanation for departure :	N/A	
	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	N/A	
Timeframe :	N/A	N/A

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	The Company does not have a large number of shareholders nor hold meetings in remote locations. Annual General Meetings have been held within the capital city limits and not in remote location.	
		N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	N/A

PERSUANT 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.

--