

# Statement of Corporate Governance

The Board of Directors (“the Board”) is committed to upholding high standards of good Corporate Governance in conducting the affairs of the Company and its subsidiaries (“the Group”). The Board will continue to enhance corporate governance in order to safeguard the interests of shareholders and other stakeholders.

The Board is pleased to share the manner in which the Principles of the Malaysian Code of Corporate Governance 2017 (“MCCG 2017”) issued by the Securities Commission Malaysia has been applied within the Group and the extent to which the Group has complied with the Recommendations of the MCCG 2017 during the financial year ended 31 December 2018.

## I. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Board is responsible for the stewardship of the business and affairs of the Group on behalf of the shareholders with view of enhancing long-term value of their investment. The functions and responsibilities of the Board include the following six (6) specific responsibilities:-

- i. Adopting and reviewing a strategic plan for the Group;
- ii. Overseeing and evaluating the conduct and performance of the Group’s businesses;
- iii. Identifying and managing principal risks and ensuring the implementation of appropriate systems to manage these risks;
- iv. Succession planning, including appointing, training, fixing the remuneration of senior management of the Group;
- v. Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- vi. Reviewing the adequacy and integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group is also committed towards sustainable development. Employees’ welfare, environment and community responsibilities are integral to the conduct of the Group’s business. The sustainability statement is set out on pages 14 to 16 of this Annual Report.

In performing its duties, the Board has access to the advice and services of the Company Secretaries and, if necessary, may seek independent professional advice about the affairs of the Group.

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

### Board Charter

The Board has adopted a Board Charter, setting out, inter-alia, the roles and responsibilities of the Board, Board Committees, Executive and Non-Executive and Management. The Charter includes the limits of authority accorded and also contains a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Group’s businesses are in its trends. The Board will review Board Charter from time to time to ensure consistency with the Board’s Strategies and relevance to standard of corporate governance.

In line with practices in the MCCG 2017 to make public the Board Charter, the Company has established and uploaded the Board Charter on its website at [www.abmfujiya.com](http://www.abmfujiya.com).

## Statement of Corporate Governance (continued)

### Directorships in Other Companies

In compliance with Paragraph 15.06 restriction on directorship in listed issuers of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Directors of the Company do not hold more than five (5) directorships in Public Listed Companies and the listing of directorships held by Directors is confirmed by each Director.

### Board Meetings and Access to Information

Each member of the Board is expected to commit sufficient time and attention to the affairs of the Group. To allow Directors to plan ahead and to maximise their participation, a meeting schedule is set before the beginning of the year.

The Board meets at least four times a year, with additional meetings convened as and when the Board’s approval and guidance are required. Upon consultation with the Chairman and the Managing Director, due notice shall be given of proposed dates of meetings during the financial year and standard agenda and matters to be tabled to the Board.

Prior to the Board meetings, the Company Secretary will furnish a notice together with an agenda to the Directors to allow them to have adequate preparation time to ensure effectiveness at the proceedings of the meeting. The Company Secretary will ensure Board’s proceedings are followed regularly and reviewed and will also provide guidance to the Board on Director’s obligation arising from the rules and regulations including the MCCG 2017 and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia.

Technology and information technology are effectively used in Board meetings and communications with the Board, where Directors may participate in meetings by audio or video conference, and Board materials are shared electronically.

Five (5) Board meetings were held during the financial year ended 31 December 2018 and details of the attendance of each Director are as follows:

Name of Directors	Meetings Attended
Dato Sri Tay Ah Ching @ Tay Chin Kin	4/5
Dato’ Tay Tze How	4/5
Dato’ Tay Tze Poh	5/5
Puan Sri Corinne Bua Nyipa	3/5
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai <sup>(1)</sup>	3/5
Dato’ Ooi Teik Heng	5/5
Wong Siaw Wei	5/5
Sim Chong Hong	5/5

Note:

<sup>(1)</sup> *Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as Independent Non-Executive Director on 26 February 2019.*

The Company Secretary will circulate Board meeting papers including Quarterly and Annual “year-to-date” Financial Statements, Minutes of Past Meetings, updates by Regulatory Authorities, Internal and External Auditors’ Report.

The Board has full access to the Company Secretary, all information including the advice and services of the Company Secretary in furtherance of their duties. Non-Executive Directors also have the same right of access to all data including seeking independent professional advice as and when required at the Company’s expenses.

# Statement of Corporate Governance (continued)

## Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR, Companies Act 2016 and other relevant laws and regulations.

The Company Secretary who is qualified, has relevant working experience and competent on statutory and regulatory requirements, briefs the Board on the necessary contents and timing of material announcements to be made to regulators. The removal of the Company Secretary, if any, is the matter for the Board as a whole to make decision.

The Company Secretary attends all Board and Board Committee meetings and ensures that there is a quorum for each of the meeting. She is also responsible for ensuring that all the meetings are convened in accordance with the Board procedures and relevant terms of references.

The minutes of the meetings are prepared to include amongst others, pertinent issues, substance of enquiries and responses, recommendations and decisions made by the Directors. The minutes of the meetings are properly kept in accordance with the relevant statutory requirements of the Companies Act 2016.

## II. BOARD STRENGTH

### Appointments

The Nominating Committee (“NC”) makes independent recommendations for appointments to the Board, based on criteria which they develop, maintain and review. The NC may consider the use of external consultants in the identification of potential Directors. In making these recommendations, the NC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval. Prior to the appointment of a director, the potential Director should be required to disclose any other business interest that may result in a conflict of interest in relation to the Company, and shall be required to report any future business interest which may develop post-appointment, that could result in conflict of interest. The Board makes clear at the outset its expectations of its new Directors in terms of their time commitment as recommended by the MCCG 2017.

### Re-election of Directors

Pursuant to the Company’s Articles of Association, at least one-third (1/3) of all the Directors are subject to retirement by rotation at each Annual General Meeting. Retiring Directors may offer themselves for re-election to the Board. Details of Directors seeking re-election such as inter-alia, age, relevant experience and list of directorships, participation in the Board Committees are disclosed separately in this Annual Report.

### Board Diversity Policy

The Board recognises that diversity in its composition is critical in ensuring its effectiveness and good corporate governance. A truly diverse board will include and make use of the variation in the skills, experience, background, race, gender and nationality of its members.

As part of its commitment to enhance its diversity, including gender diversity, the Board is pleased to report that the Company has two (2) female Board members.

## Statement of Corporate Governance (continued)

### Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to the following Board Committees and the composition is as follows:-

<b>Audit Committee</b>	<ul style="list-style-type: none"><li>• Wong Siaw Wei (Chairperson)</li><li>• Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai<sup>(1)</sup></li><li>• Sim Chong Hong</li><li>• Puan Sri Corinne Bua Nyipa<sup>(2)</sup></li></ul>
<b>Nominating Committee</b>	<ul style="list-style-type: none"><li>• Dato' Ooi Teik Heng (Chairperson)</li><li>• Puan Sri Corinne Bua Nyipa</li><li>• Wong Siaw Wei</li><li>• Sim Chong Hong</li></ul>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"><li>• Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai (Chairperson)<sup>(1)</sup></li><li>• Dato' Ooi Teik Heng</li><li>• Wong Siaw Wei</li><li>• Sim Chong Hong<sup>(3)</sup></li></ul>

#### Notes:

<sup>(1)</sup> *Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as member of the Audit Committee and Chairperson of the Remuneration Committee on 26 February 2019.*

<sup>(2)</sup> *Puan Sri Corinne Bua Nyipa was appointed as the member of Audit Committee on 26 February 2019.*

<sup>(3)</sup> *Mr Sim Chong Hong was redesignated as the Chairperson of Remuneration Committee on 26 February 2019.*

All Board Committees consist of members who are exclusively Independent and Non-Executive Directors.

In addition, from time to time the Board reviews the functions and terms of reference of Board Committees to ensure that they are relevant and updated in line with the latest provision of the MCCG 2017 and other related policies or regulatory requirements.

The Chairperson of the respective Board Committees reports to the Board on the outcome of Board Committee meetings which require the Board's attention and direction and the Board also reviews the minutes of the Board Committee meetings.

### Meetings and Activities of the Board Committees

#### Audit Committee

The details of meetings and activities of the Audit Committee can be found in the Audit Committee Report on pages 27 to 30 of this Annual Report.

#### Nominating Committee

The Committee met twice during the financial year 2018 and the majority of the members of the Committee attended the meetings.

## Statement of Corporate Governance (continued)

### Nominating Committee (continued)

During the financial year 2018, the Committee has undertaken the following activities:-

- i. Reviewed the proposed format of the Self-Assessment of individual Directors;
- ii. Reviewed the composition of the Board and the Board Committees;
- iii. Performed Annual Assessment of the Independent Directors; and
- iv. Considered the timetable, process and methodology and outcome of the assessment of the Board of Directors, Board Committees and Directors' training for 2018.

During the year, the Company did not engage any external party in respect of the annual review of the Board of Directors or Board Committees.

### Remuneration Committee

The Remuneration Committee ("RC") assists the Board in reviewing and assessing the remuneration packages of Executive Directors, although determination of remuneration packages of both Executive and Non-Executive Directors remains with the Board. The Committee is responsible to ensure the level of remuneration is sufficiently attractive to retain a stable management team and to further encourage creation of value for the shareholders and link rewards to corporate goals and individual performance. Further, the RC also keeps abreast with changes in the external market for remuneration comparable, reviews and recommends changes to the Board as it deems appropriate.

The Committee met once during the financial year 2018 and all members of the Committee attended the meeting.

### Directors' Remuneration

The RC determines the remuneration of each Executive Director, Executive Group Chairman and Group Managing Director reflecting the level of responsibility, experience and commitment. The fees paid to Non-Executive Directors are the responsibilities of the entire Board. No Director is involved in determining his/her own remuneration.

The aggregate remuneration of Directors is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<b>Executive Directors' Remuneration:</b>				
Salaries and other emoluments	2,974,250	2,973,939	52,000	52,000
Defined contribution plan - EPF	151,869	151,460	-	-
Estimated monetary value of benefits-in-kind	25,082	21,089	-	-
	<b>3,151,201</b>	3,146,488	<b>52,000</b>	52,000
<b>Non-executive Directors' Remuneration:</b>				
Fees	64,000	64,000	64,000	64,000
Other emoluments	7,500	8,000	7,500	8,000
Estimated monetary value of benefits-in-kind	1,673	-	1,673	-
	<b>73,173</b>	72,000	<b>73,173</b>	72,000
<b>Total Directors' remuneration:</b>				
Total Directors' remuneration excluding benefits-in-kind	3,197,619	3,197,399	123,500	124,000
Estimated monetary value of benefits-in-kind	26,755	21,089	1,673	-
Total Directors' remuneration including benefits-in-kind	<b>3,224,374</b>	3,218,488	<b>125,173</b>	124,000

## Statement of Corporate Governance (continued)

### Directors' Remuneration (continued)

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2018 are as follows:

Group	2018		2017	
	Directors' Fee RM	Other allowances (Note A)/ Salaries RM	Directors' Fee RM	Other allowances (Note A)/ Salaries RM
Dato Sri Tay Ah Ching @ Tay Chin Kin	200,000	480,519	200,000	480,000
Dato' Tay Tze How	76,000	261,826	76,000	261,062
Dato' Tay Tze Poh	76,000	259,684	76,000	259,231
Puan Sri Corinne Bua Nyipa	12,000	900	12,000	900
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai <sup>(1)</sup>	12,000	600	12,000	1,600
Dato' Ooi Teik Heng	12,000	1,500	12,000	1,500
Wong Siaw Wei	16,000	4,673	16,000	2,000
Sim Chong Hong	12,000	1,500	12,000	2,000
Liew Wee Sam	228,000	136,553	228,000	134,705
Tay Yoke Ling	276,000	68,723	276,000	67,800
Pauline Tay	60,000	204,976	60,000	204,212
Tay Siew Ling	60,000	230,801	60,000	230,612
Tay Tze Kok	–	234,410	–	233,465
Lim Tee	58,800	39,093	58,800	39,141
Datin Seri Sharipah Hishmah Binti Sayed Hassan	4,000	–	4,000	–
Kok Swee Ping	120,000	75,816	120,000	77,460
<b>Company</b>				
Dato Sri Tay Ah Ching @ Tay Chin Kin	20,000	–	20,000	–
Dato' Tay Tze How	16,000	–	16,000	–
Dato' Tay Tze Poh	16,000	–	16,000	–
Puan Sri Corinne Bua Nyipa	12,000	900	12,000	900
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	12,000	600	12,000	1,600
Dato' Ooi Teik Heng	12,000	1,500	12,000	1,500
Wong Siaw Wei	16,000	4,673	16,000	2,000
Sim Chong Hong	12,000	1,500	12,000	2,000

#### Note A:

Other allowances comprise the Chairman's allowance and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended during the year

<sup>(1)</sup> Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as an Independent Non-Executive Director on 26 February 2019.

## Statement of Corporate Governance (continued)

### III. BOARD BALANCE AND INDEPENDENCE

The Board gives close consideration to its size, composition and spread of experience and expertise that enables the Board to provide effective leadership as well as independent judgment on business decisions, taking into account long term interest of shareholders, customers, suppliers and other business associates with whom the Group conducts its business.

During the financial year ended 31 December 2018, the Directors individually complete a formal written assessment of the Board, its performance, composition and conduct. The Chairman collates the opinions and responses of Directors and tables the results for review, comment and recommendation by the Board.

The Board comprises three (3) Executive Directors and four (4) Independent Non-Executive Directors. The Board comprises a majority of Independent Non-Executive Directors, which is in line with the Recommendation of the MCCG 2017 and the MMLR that requires one-third (1/3) of Board members to be independent directors.

The Board is satisfied with the composition and good mix of Executive Directors and Independent Non-Executive Directors to carry out the Board's priorities objectively and impartially and to grow the Group effectively. The Board is mindful of the MCCG 2017 which stipulates the requirement for Board to comprise a majority of Independent Directors if the Chairman is also the Group Managing Director. The Board will give careful consideration and take necessary measure to comply including any restructuring when the need arises whilst simultaneously ensuring an effective and suitable composition, including Board size, is achieved in the interest of the Company.

The NC is established to regularly assess the independence of independent directors. The Independent Non-Executive Directors are also free from any business or related parties relationships that could materially interfere with independent judgment. Brief profile of each Director is presented from pages 10 to 12 of this Annual Report.

Save for Dato' Ooi Teik Heng and Mr Sim Chong Hong, all the other Independent Non-Executive Directors have served the Board for more than nine (9) years. The NC and Board have reviewed and considered the suitability of the other directors to continue to act as independent directors. The Company will be seeking shareholders' approval at the forthcoming Annual General Meeting.

#### **Division of roles and responsibilities between the Executive Chairman and the Managing Director**

The Group practises a division of responsibility between the Chairman and the Managing Director in order to ensure there is an appropriate balance of power. The roles of the Chairman and Managing Director are separate and clearly defined responsibilities, and are held individually by two persons.

The Chairman's main responsibility is to ensure effective conduct of the Board and that all Directors have unrestricted and timely access to all relevant information necessary for informed decision-making. The Chairman encourages participation and deliberation by all Board members to enable the knowledge of all the Board members to be tapped and to promote consensus building as much as possible.

The Managing Director has overall responsibilities over the Group's operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions on a day to day basis. In addition, the Managing Director also functions as the intermediary between the Board and Management.

## Statement of Corporate Governance (continued)

### IV. COMMITMENT OF THE BOARD

All Board members shall notify the Chairman of the Board before accepting any new directorships in any other organisation. The notification shall include an indication of time commitment required under the new appointment as recommended by MCGG 2017.

#### Training and Development of Directors

The NC and the Board assess the training needs of each of its Directors on an on-going basis, by determining areas that would best strengthen their contributions to the Board.

All Directors have completed the Mandatory Accreditation Programme (“MAP”) required under the MMLR. They are also mindful that training is essential to all Directors and they should continue to update their skills and knowledge to effectively execute their duties.

During the financial year, the Directors attended the following training/courses:

Name of Directors	Description of Training	Date
Dato Sri Tay Ah Ching @ Tay Chin Kin	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Dato’ Tay Tze How	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Dato’ Tay Tze Poh	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Puan Sri Corinne Bua Nyipa	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai (resigned on 26 February 2019)	Kuching Urban Transport Study - Second Stakeholder Workshop	15 Mar 2018
Dato’ Ooi Teik Heng	Bursatra Sdn Bhd - Common Offences & Pitfalls To Avoid Under the Companies Act 2016	25 Oct 2018
Wong Siaw Wei	Securities Industry Development Corporation - SSM Compass on “Companies Act 2016 & Interest Schemes Act 2016” Malaysian Institute of Accountants - Latest Updates on Tax Audit & Investigations - Tax Incentives-Latest Updates & Developments Baker Tilly MH Consulting Sdn Bhd - MBRS for Preparers	1 Mar 2018  17 Apr 2018 18 May 2018  11 & 12 Dec 2018
Sim Chong Hong	KPMG PLT - Tax and Business Seminar 2019	14 Nov 2018



## Statement of Corporate Governance (continued)

### **V. BOARD INTEGRITY IN FINANCIAL REPORTING, RISK RECOGNITION AND MANAGEMENT ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Board is responsible to provide and present the Group's and the Company's financial statements in accordance with applicable financial reporting standards in Malaysia and the requirements of the Companies Act 2016. The Audit Committee oversees the Group's and the Company's financial reporting processes to determine that the reports fairly present the Group's and the Company's financial position and financial performance and ensure the accuracy and adequacy of the information announced.

The Audit Committee is an independent platform for regular discussions between Independent Directors and External Auditors and to review the Company's process including internal control and communication with Internal Auditors.

The Statement of Responsibilities by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 33 of this Annual Report.

#### **Risk Management and Internal Control**

The Board is responsible for establishing a sound system of internal control to identify, evaluate, monitor key business risk in order to safeguard shareholders' investments and the Group's assets. The information on Group's Internal Control System is presented in the Statement on Risk Management and Internal Control as set out in this Annual Report.

The Audit Committee reviews and evaluates independently its effectiveness and adequacy with the assistance of the Internal Auditors. In addition to the Audit Committee's independent evaluation of the Internal Control System, the head of individual department and key management personnel ("the management team") also ensure the implementation of a Risk Management Framework relating to all the Group's operations and business activities. The management team reports and recommends to the Board on its finding for approval on solutions.

#### **Relationship with External Auditors**

The Audit Committee has private session with the external auditors without the presence of Executive Directors and the management team at least twice in a year, to discuss the audit findings and any other observation they may have during the audit process. The external auditors also highlight to the Audit Committee and Board of Directors on matters that require the Audit Committee's or the Board's attention together with the recommended corrective actions thereof. The management team is held responsible for ensuring that all these corrective actions are undertaken within an appropriate time frame.

The role of the Audit Committee in relation to the external auditors is found in the Audit Committee Report on pages 27 to 30 of this Annual Report. The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standard, the requirements of the Companies Act 2016 in Malaysia and the MMLR.

The Audit Committee also reviews the proposed re-appointment of the external auditors of the Group and of the Company and their fees on annual basis to ensure that the independence of the external auditors is not compromised.

For the audit of the financial statements of ABM Fujiya Berhad and its subsidiaries for the financial year ended 31 December 2018, the external auditors of the Group and of the Company have confirmed their independence in accordance with the terms of relevant professional and regulatory requirements.

# Statement of Corporate Governance (continued)

## VI. TIMELY AND HIGH QUALITY DISCLOSURE

The Board has also established and adopted the Corporate Disclosure Policy which includes feedback from management as recommended by the MCCG 2017 and the policies and procedures therein have been formulated with reference to the Best Practices published in the Corporate Disclosure Guide issued by Bursa Malaysia.

As recommended by the MCCG 2017, the Company will seek to leverage on the latest and most innovative information technology available to promote more efficient and effective ways to communicate with both its shareholders and stakeholders. The Company's Annual Reports, announcements to Bursa Malaysia, media releases and presentations relating to its quarterly financial results have been made available on the Company's website.

Various contact details are provided on the Company's website to address queries from customers, shareholders and other public.

## VII. RELATIONSHIP WITH SHAREHOLDERS

### 1. Shareholders and Investor Relations

The Board believes that the Group should at all times be transparent and accountable to its shareholders and investors and the Board is proactive in evaluating the effectiveness of information dissemination to all shareholders and the wider investing community.

As such, the Board disseminates proper, timely and adequate relevant information to the shareholders through announcements, quarterly results, Annual Reports and press releases.

An online Investor Relations section can be accessed by shareholders and the general public via the Company's website at [www.abmfujiya.com](http://www.abmfujiya.com).

### 2. Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with all shareholders who are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders who are unable to attend are allowed to attend proxies in accordance with the Company's Articles to attend and vote on their behalf. The Chairman and Board members are in attendance to provide clarification on shareholders' queries.

Announcements are made in a timely manner to Bursa Malaysia and are made available electronically to the public via Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) as well as the Company's website at [www.abmfujiya.com](http://www.abmfujiya.com).

### 3. Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the MMLR. All resolutions passed in the Annual General Meetings are by poll voting. The Company will appoint one (1) scrutineer who is independent of the Group and the person undertaking the polling process to validate votes casted.

### 4. Whistle-Blowing

In light of the requirements stipulated under the Capital Markets and Services Act 2007, the Bursa Malaysia's Corporate Governance Guide and the Companies Act 2016, the Board recognises the importance of whistle-blowing and is committed to maintain the highest standards of ethical conduct within the Group.

This Statement is issued in accordance with a resolution of the Board of Directors dated 8 April 2019.