

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7200  
**COMPANY NAME** : TEK SENG HOLDINGS BHD  
**FINANCIAL YEAR** : December 31, 2020

## 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 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.*

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Directors ("Board") of Tek Seng Holdings Berhad ("Tek Seng" or "the Company") has the oversight responsibility for the proper conduct of the Group's business in achieving the objectives and long term goals of the Company.</p> <p>The main roles and responsibilities of the Board are as follows:</p> <ol style="list-style-type: none"><li>1. Reviewing and approving material investment, acquisitions and disposals of property, plant and equipment.</li><li>2. Reviewing and approving related party transactions.</li><li>3. Reviewing the adequacy of the Group's internal control policies.</li><li>4. Monitoring compliance with relevant laws &amp; regulations and accounting standards within the corporate and business environment.</li><li>5. Reviewing and approving annual financial statements and quarterly financial results.</li></ol> <p>The Board is governed by the Group's Governance structure where specific powers of the Board are delegated into two specific functions of Independent Directors and Executive Directors to ensure responsibilities and duties are discharged orderly.</p> <p><u>Board Committees</u></p> <p>The three (3) Board Committees, namely Audit &amp; Risk Management Committee (ARMC), Nominating Committee (NC) and Remuneration Committee (RC) comprised wholly Independent Directors and they performed their duties accordingly to the terms of reference approved by the Board of Directors.</p>

The Chairman of the various Committees will report to the Board the outcome of their meetings and such reports are incorporated in the minutes of the Board meetings.

#### Executive Directors

The Executive Chairman monitors the implementation of Board's policies and decisions, corporate affairs, compliances of laws, regulations, policies and procedures including financial stewardship of the Group.

The Managing Director is responsible for the day-to-day operations of the Group and has overall responsibility over the operation units and organisational effectiveness.

The Executive Directors including the Senior Management supports the Executive Chairman and Managing Director in the operations and activities of the Group amongst others the implementation of the policies and strategies as approved by the Board and guided by regulatory requirements as well as industry best practices.

The Executive Directors and senior management team formulate the strategies and plans of the Group after assessment and review of the business environment as well as the progress of the previous year's activities. The Executive Directors will take into consideration the feedback from employees, customers and other stakeholders with whom the Group conducts its business during the financial year to ensure the best outcome for the ensuing year, and in the best interest of the Group and its stakeholders.

During the financial year ended 31 December 2020, the Executive Chairman had called for discussion with the executive directors and senior management the impact of evolving COVID-19 pandemic situation on the PVC sector.

The Malaysian Anti-corruption Commission ("MACC") issued the Guidelines on Adequate Procedures in pursuant to Section 17A(5) of MACC Act 2009 set out adequate procedures that commercial organisation should put in place as preventive measures to mitigate risk being charged under Section 17(A) of this MACC (Amendment) Act while demonstrate their commitment to conduct business in an ethical manner.

During the financial year, the Group has carried out the following activities to comply with the requirements of MACC Act 2009 as follows:

(i) On 21st May 2020 the Board of Directors approved the Anti-Bribery and Corruption ("ABC") policy and subsequently revised on 1st December 2020.

	<p>(ii) On 1st June 2020, communicate with external parties (agents, vendors, contractors, suppliers, consultants and other business associates) via email in relation to ABC policy of the Group.</p> <p>(iii) On 7th September 2020 the Group engaged external professional service provider to carry out training covering the topic “Preparation for Corporate Liability under MACC Act 2009 - Safeguarding the Company, its Directors, Management and other Personnel and compliance” to Directors and all management.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 3.2 of the Board Charter, which is available on Tek Seng's website at <a href="http://www.tekseng.com.my">www.tekseng.com.my</a>.</p> <p>The Executive Chairman manages the Board effectiveness and ensuring the implementation of the Board's policies and decisions.</p> <p>The Executive Chairman plays an active role in the formulating the Group's strategy and monitoring the corporate affairs and overall financial performance of the Group.</p> <p>The Executive Chairman with the assistance of the Company Secretary sets the Board agendas for each meeting based on the dates of scheduled meetings in Tek Seng Corporate Calendar. The Executive Chairman is responsible for orderly conduct and proceedings of meetings whilst promoting a culture of openness and active participations in meetings and ensures an overall effective communications.</p> <p>The Executive Chairman is also the spokesperson of the Company and he facilitates and ensures effective communications with the shareholders and stakeholders of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and Managing Director are held by different individuals. The Company has a clear distinction and separation of roles between the Executive Chairman and the Managing Director, with division of responsibilities clearly defined in in Paragraph 4 of the Board Charter.</p> <p>As at 31 December 2020, the Chairman of the Board was Mr Loh Kok Beng and the Managing Director was Mr. Loh Kok Cheng.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company Secretaries are members of professional bodies and qualified to act as Company Secretaries.</p> <p>The brief profile of the Company Secretaries are as follows:</p> <p>Mr. Lee Peng Loon, is an associate member of the Malaysian Association of Company Secretaries (MACS). He started his career with the Malaysian Inland Revenue Board (IRB) as a senior officer for several years before joining one of the "Big Four" international accounting firms in its taxation division. He was later transferred to head its secretarial division as the Executive Director, a position he served for 10 years. With more than 35 years of immense tax, accounting and secretarial experiences, he had assisted and supported countless companies in diverse industries to ensure achievements of regulatory compliance.</p> <p>Ms. P'ng Chiew Keem, Riko, is an associate member of the Malaysian Institute of Chartered Secretaries &amp; Administrators (MAICSA). She started her career with one of the "Big Four" international accounting firms in Malaysia. She then furthered her studies in Business Management Education in the Asian Institute of Management (AIM), a pioneer business school in Asia, founded in 1968 by the Harvard Business School, academicians and prominent business leaders. She has more than 20 years of experience in handling corporate, secretarial, and compliance matters to a large portfolio of clients, indirect tax consulting, accounting and corporate advisory.</p> <p>The primary responsibilities of the Company Secretaries are as follows:</p> <ul style="list-style-type: none"><li>(a) To properly maintain the secretarial records, preparation of resolutions and other secretarial functions of the Company;</li><li>(b) To issue notice and attend the meetings of the Board, Board Committees and shareholders and to record the minutes of such meetings;</li><li>(c) To assist in corporate governance practices, by proposing relevant agenda items to be included as recurring meeting agenda;</li></ul>

	<p>(d) To facilitate the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee’s deliberation;</p> <p>(e) To update the Board on the changes, which are relevant to the Company, of the listing requirements upon receiving the circulars from Bursa Securities; and</p> <p>(f) To advise on corporate disclosures and compliances.</p> <p>During the financial year ended 31 December 3030 (“FY2020”), the Company Secretaries had attended various webinars and technical briefings by Bursa Securities to keep themselves abreast with the regulatory changes and continuous professional development.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. At least seven (7) days prior to Board Meetings, all Directors are provided with agendas and Board Papers to enable the Directors to participate actively in the meetings.</p> <p>Senior management and head of departments may be invited to Board Meetings to provide insights into matters being discussed and to furnish clarification on issues that may be raised by the Board.</p> <p>The deliberations and decisions of the Board and Board Committees are well documented in the minutes including matters where Directors abstained from voting or deliberation. Such minutes had been circulated in a timely manner.</p> <p>During the FY2020, there were 4 meetings held and all the Board Papers were circulated to the Board in timely manner.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board had established a Board Charter to promote the best corporate governance culture and to assist the Board in discharging its duties and responsibilities. The Board Charter also defines matters which specifically reserved for the Board's decision making powers and those delegated to the executive directors and/or management.</p> <p>The last review of the Board Charter was on 24 February 2021. The Board Charter is available on the Company's website at <a href="http://www.tekseng.com.my">www.tekseng.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's Code of Business Conducts And Ethics ('Code') has been prepared based on principles relating to integrity, sincerity and accountability in order to enhance the standards of corporate governance and behaviour.</p> <p>The Code sets out the business practices, standards and ethical conducts expected from the management and the employees in the course of their employment with the Group.</p> <p>During the FY2020, the Board had approved the Code and the Code covers the followings matters:</p> <ul style="list-style-type: none"><li>▪ Compliance with Laws</li><li>▪ Marketing and Sales</li><li>▪ Competitive Practices</li><li>▪ Work Environment</li><li>▪ Recording and Reporting Information</li><li>▪ Fair Dealing</li><li>▪ Confidential Information</li><li>▪ Corporate Opportunities</li><li>▪ Conflicts of Interest</li><li>▪ Protection and Proper Use of Company Assets</li></ul> <p>The last review of the Code was on 24 February 2021. The Code is available on the Company's website at <a href="http://www.tekseng.com.my">www.tekseng.com.my</a>.</p> <p>During FY2020, The ABC Policy provides guidance on the Company's protocols to be observed by the directors, employees and business associates comprised of vendors, contractors, sub-contractors, consultants, agents, representatives, outsourced personnel, distributors, advisers and other intermediaries who perform works or provide services for or on behalf of the Group. The ABC Policy is to be read together with the Code, Whistle-Blowing Policy, and Employee</p>

	<p>Handbook (for employees).</p> <p>On 21st May 2020 the Board of Directors approved the ABC policy and subsequently revised on 1st December 2020.</p> <p>The ABC policy contains the followings:</p> <ul style="list-style-type: none"> <li>• Conduct of due diligence</li> <li>• Reporting Channel</li> <li>• Conflict of Interest</li> <li>• Gifts, Entertainment, Hospitality and Travel</li> <li>• Donation and Sponsorship</li> <li>• Facilitation Payments</li> <li>• Financial Controls</li> <li>• Procurement</li> <li>• Record Keeping</li> <li>• Awareness and Training</li> <li>• Reporting of Policy Violations</li> <li>• Review and revision of Policy</li> </ul> <p>During FY2020, the Board had engaged the external consultant to provide trainings in relation to Section 17A of the MACC Act to the directors and employees to ensure their understanding of the MACC Act and their obligations towards the measures undertaken by the Company in combating bribes and corruptions.</p> <p>The approved ABC policy had been circulated to all subsidiaries via internal memo and email. A copy of the policy had been published at Group's website which is accessible to both internal and external parties.</p> <p>Apart from it, on 1st June 2020, the Group had via email distribution communicates to its suppliers, contractors and business associates on the enforcement of Tek Seng corporate culture on gift giving, no commission and staff pinching.</p> <p>"Say No To Corruption &amp; Bribery, Corruption &amp; Bribery Are Crimes. Promote A Culture Of Integrity" was printed on the sales invoice of all the companies in the Group.</p> <p>A copy of the ABC Policy are available at the Company's website (<a href="http://www.tekseng.com.my">www.tekseng.com.my</a>).</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

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

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

## Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had established a Whistle-Blowing Policy which sets out a formal communication channel for employees and stakeholders of the Group to communicate matters of concern in good faith and without fear of reprisal.</p> <p>The last review of the Whistle Blowing Policy was on 24 February 2021. The Whistle-Blowing Policy is available on the Company's website at <a href="http://www.tekseng.com.my">www.tekseng.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departed
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	As at 31 December 2020, members of the Board comprised of four (4) non-independent executive directors and three (3) independent non-executive directors. The number of independent directors complies with Paragraph 15.02 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) that requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be independent Directors.
	:	As alternate practice, the Board operates in the manner that ensures objective and independent view and decision making are exercised within the Company and/ or the Group. The Board having considered its current independent directors’ knowledge, experience integrity and their independence from any business or other relationship with the non-independent directors would ensure no individual director could dominate the decision making of the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As at 31 December 2020, one of our independent directors, Tuan Haji Mohamed Haniffah Bin S.M. Mydin had served more than a cumulative term of 12 years.</p> <p>The NC had assessed and was satisfied that Tuan Haji Mohamed Haniffah had satisfactorily demonstrated that he is independent from the management and free from any business dealings with the Group that could be perceived to interfere in his exercised of independent judgement.</p> <p>The Board had supported the recommendation of the NC that Tuan Haji Mohammed Haniffah to be retained and continue to act as an independent director of the Company for shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company. In view of his tenure is above 12 years, the Board would seek shareholders' approval through a two-tier voting process at the forthcoming 19<sup>th</sup> AGM of the Company.</p> <p>Tuan Haji had abstained from deliberating and voting on the above.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	





**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The assessment of new candidate and senior management is based on his education, skills, expertise, professionalism, integrity, sound judgement, independency, gender and ethnicity.</p> <p>The NC will assess any new appointments to the Board and table its recommendation to the directors. The Board will consider the recommendation of the NC and make the final decision as to the new appointment of director. The Company Secretary is then responsible to ensure relevant procedures relating to the appointment of the new director are properly executed.</p> <p>The Executive Chairman is responsible to assess new candidates for senior management positions. The appointment of senior management are also based on objective criteria and merit.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departed	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	As at 31 December 2020, the Board comprised of two female Directors out of a total of seven Directors. The Board does not have a specific policy on setting targets on the number of women representatives on the Board of the Company.	
		As alternate practice, the appointment to the Board are based on the candidate’s skills, expertise, experience, integrity, character, commitment and other qualities in meeting the requirements of the Company regardless of gender.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In identifying candidates for appointment of directors, the NC has set out its criteria in Practice 4.4. The NC is also empowered to seek candidates beyond recommendations from existing board members, management or major shareholders of the Company.</p> <p>The NC had assessed and was satisfied that the current size and composition of Board, Board Committees and its directors are adequately appropriate for its purpose with relevant mixed of gender, ethnicity, age, expertise and experience. As such, the NC did not recommend any increase in the size of current Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	As at 31 December 2020, the Company's NC was chaired by Tuan Haji Mohamed Haniffah Bin S.M. Mydin, an Independent Non-Executive Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC met once during FY2020 to carry out the annual assessment of the Board, Board Committees and each individual directors. The annual assessment of the Board and Board Committees were carried out by way of questionnaires in regard to mix of skills, knowledge, competency, proceeding of meetings, experiences, timely reporting and so forth. Whilst the assessments of individual directors were carried out by way of self-assessment questionnaires sent to the director's concerned. The questionnaires covered amongst others the character, integrity, contributions in meetings, quality of input, understanding of role, time commitment and so forth.</p> <p>The responses to the questionnaires were then sent to the NC for evaluations.</p> <p>The NC had recommended that Board, Board Committees and each individual directors to remain status quo. The director's concern had abstained from deliberating on his own assessment.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a Remuneration Policy which is clear and transparent to attract and retain the Directors of the Company.</p> <p>The remuneration framework is reflective of the executive directors' level of responsibilities, experiences, length of services and individual performances. The RC will also consider the similar industry remuneration as a benchmark and the financial performance of the Group when making its recommendations to the Board.</p> <p>The RC also review the remuneration to be paid to non-executive directors based on their level of responsibilities and commitment required. However, the Board as a whole determines the remuneration of the non-executive directors, and the individual director concerned shall abstain from deliberation on his own remuneration. The directors' fees and benefits determined by the Board are subject to shareholders' approval at the AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	Applied	
<b>Explanation on application of the practice</b>	<p>The RC reviews the remunerations of the directors annually with a view to ensure it is fair and able to attract and retain talents who can add value to the Group. The remuneration recommended should be also in line with the business strategy and long term objectives of the Company. Review criteria are sets out in Practice 6.1.</p> <p>During FY2020, the RC had carried out the following duties:</p> <ol style="list-style-type: none"> <li>1) To review and recommend to the Board, the remuneration policy of the Group</li> <li>2) Reviewed and recommended to the Board, the remuneration package of executive directors for FY2021</li> <li>3) Reviewed and recommended to the Board, the directors' fees and benefits of non-executive directors for shareholders' approval at the AGM</li> </ol>	
<b>Explanation for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>		
<b>Timeframe</b>		

## Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Please refer to Annual Report – Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departed
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In determining the remuneration packages of the Group's top 5 senior management, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents.</p> <p>On the disclosure of remuneration of the Group's top 5 senior management, the Board is of the view that it would not be in the best interest of the Company to make such disclosure on a named basis of each key senior management's remuneration due to the competitive nature of the human resource market and the efforts by the Company in attracting and retaining executive talents, the Company maintain confidentiality on the employees remuneration matters.</p> <p>As alternate practice, the Board discloses the aggregate remunerations paid to the senior management. For FY2020, the aggregate remunerations paid to the senior management was around RM457k.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board ensures the remuneration of the top 5 senior management is commensurate with their individual performance, taking into consideration the Company's performance.
<b>Timeframe</b>	:	

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

<b>Application</b>	:	Not adopted.
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	As at 31 December 2020, the ARMC was chaired by Mr. Leow Chan Kiang, Independent Non-Executive Director and he was not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had adopted the policy that requires a former key audit partner to observe a cooling-off period of at least three years before being appointed as a member of the ARMC. Accordingly, such policy had been incorporated into the Terms of Reference of the ARMC.</p> <p>The Terms of Reference of the ARMC is available on the Company's website <a href="http://www.tekseng.com.my">www.tekseng.com.my</a></p> <p>In FY2020, none of the members of the Board was a former key audit partner of the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARMC had assessed the Company's External Auditors, Messrs. BDO PLT by way of completing a set of comprehensive questionnaires. The questionnaires cover amongst others the size &amp; resources of BDO PLT, the audit scope, skills, industry knowledge, understanding of role, independence of the firm and the persons assigned to the audit team, objectivity of engagement partner and so forth.</p> <p>BDO PLT had confirmed to the ARMC in writing 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.</p> <p>The ARMC, after having assessed the suitability, objectivity and independence of BDO PLT, resolved to recommend to the Board that BDO PLT be proposed for re-appointment as the Company's External Auditors for the ensuing year at the forthcoming AGM of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

There is an effective and independent Audit Committee.

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

### **Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	As at 31 December 2020, the ARMC of the Company comprised entirely Independent 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.

<b>Application</b>	:	<b>Applied</b>
<b>Explanation on application of the practice</b>	:	Members of the Company's ARMC are financially literate as they are able to understand matters under the purview of the ARMC including the financial reporting process and possess the necessary skills to discharge their duties effectively.
		During FY2020, members of the ARMC had attended appropriate continuing programmes to update and/or increase their knowledge and understanding of recent developments in accounting standards, laws and regulations to aid them in discharging their duties and responsibilities as members of the ARMC of the Company.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of maintaining a sound system of internal control and risk management framework. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and effectiveness of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.</p> <p>The Group has in place an effective risk management and internal control framework as set out in the Statement on Risk Management and Internal Control (SORMIC).</p> <p>During FY2020, the ARMC had reported to the Board on the Group's risk profile including actions undertaken by the management to manage or mitigate the risks identified. Corruption risk was included in its annual risk assessment of the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board through the ARMC oversees the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.</p> <p>The Group had adopted a risk management framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the risk management framework. ARMC will update the Board on the Group's risk profile including actions undertaken by the Management to manage or mitigate the principal risks identified.</p> <p>Principal risk areas identified that are considered significant to the Group are the Integrity risk, regulatory compliance risk and hazard risk.</p> <p>Further details are set out in the Statement on Risk Management and Internal Control section of Company's Annual Report</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of internal audit function and has engaged the services of an independent firm of professionals to carry out the internal audit function and to provide assurance as to the effectiveness, adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the ARMC.</p> <p>The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the ARMC. The audit focuses on areas with high risk and inadequate controls to ensure that adequate action plans have been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis, the internal auditors report to the ARMC on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.</p> <p>Further details of the internal audit function are set out in the ARMC Report section of the Annual Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>IN FY2020, the Company had outsourced its internal audit function to KFF Advisory Sdn. Bhd. to audit and monitor the compliance of the Group's policies, procedures and the effectiveness of the Group's internal control systems.</p> <p>The internal audit team carries out its work according to the code of ethics and standards set by professional bodies, primarily consistent with the International Professional Practices Framework issued by the Institute of Internal Auditors and where applicable, reference is made to the standards and statements issued by the international accounting and auditing organisations.</p> <p>The Internal Audit team is made up of four (4) personnel headed by Ms. Oh Phaik Choo, a qualified practitioner. She is a member of Institute of Internal Auditors Malaysia, chartered accountant with Malaysian Institute of Accountants and fellow of the Association of Chartered Certified Accountants.</p> <p>The internal auditors had declared to the ARMC the following:</p> <ol style="list-style-type: none"><li>1) The Company's internal audit function were conducted in conformance with the standards sets by professional bodies;</li><li>2) They are not aware of any relationships or conflicts of interest which could impair their objectivity and independence;</li><li>3) The internal audit team has sufficient professional experience, technical skills and appropriate staff mix to effectively carry out the work required; and</li><li>4) The internal audit team had participated in various continuing professional development programmes on topics which are relevant to their work function.</li></ol>
<b>Explanation for departure</b>	:	

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

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board provides timely and accurate disclosure of all material information of the Group to the shareholders and stakeholders. Information is disseminated through announcements made to the Bursa Securities which includes the quarterly reports, annual report and press releases. The Company's website (www.tekseng.com.my) has a dedicated "Corporate Section" which provides all announcements made to Bursa Securities, press release, corporate structure, annual report and etc that enhances the Investor Relations (IR) function of the Company.</p> <p>During the FY2020, there were limited physical meetings due to lockdown pursuant to Covid-19 pandemic. However, there were virtual meetings with local and regional fund managers and analysts to give them a better understanding of the businesses of the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b> :	Not applicable	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The notice of the forthcoming 19 <sup>th</sup> AGM together with the Company's Annual Report for the FY2020 in QR Code format had been despatched to shareholders on 31 May 2021, which is 28 clear days before the date of the 19 <sup>th</sup> AGM scheduled to be held on 30 June 2021. The additional time given will allow shareholders to make necessary arrangements to attend and participate in person or through proxies or corporate representatives and also to consider the proposed resolutions before exercising their voting rights at the forthcoming AGM.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>It has been the Company's practice that all the Directors, Senior Management, Company Secretary and the External Auditors shall attend the AGM of the Company to respond to shareholders' enquiries, if any.</p> <p>At the last AGM of the Company, all the Directors were present in person to engage directly with shareholders at the AGM except Madam Tan Soo Mooi. Also in attendance were the Company's External Auditors, Internal Auditors, Company Secretary, Senior Management, Company's Share Registrar and the Independent Scrutineers appointed for the poll voting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departed
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company despatches the notice of AGM to shareholders at least 28 clear days before the date appointed for holding the AGM. For general meetings other than the AGM, the Company despatches the notice of meeting at least 21 clear days for special resolution and 14 clear days for ordinary resolution.</p> <p>The explanatory notes to the notice of AGM or circular to shareholders provide detailed explanation of the proposed resolutions to enable shareholders to make informed decisions in exercising their voting rights.</p> <p>Shareholders are allowed to appoint any person as proxies to attend and vote at the general meeting. The proxy form duly completed has to be deposited at the registered office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting or adjournment thereof, or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll at the general meeting.</p> <p>All the resolutions put to the general meeting have to be voted upon by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>At the last AGM, the Company had appointed Plantation Agencies Sdn Bhd, the Company's Share Registrar as the polling administrator and SH Corporate Services Sdn Bhd as independent scrutineers for the polling and vote counting process and to verify the poll results.</p> <p>The venue for holding the general meeting since several past general meetings were held at an established hotel in George Town area, Penang which is easily accessible by shareholders.</p>

	<p>As alternate practice, the Board adopts the practice of dispatching notices of AGM of not less than 28 days and to hold the AGM at a venue easily accessible by shareholders shall provide the shareholders sufficient time to participate in persons or by proxies and make informed decisions at the meeting.</p>	
	<p>The Board will ensure the venue of general meeting is easily accessible by shareholders of the Company and continue to adopt the practice of dispatching notices well in advance with detailed explanatory notes to ensure shareholders are able to participate and make informed decisions at general meetings.</p> <p>In light of the COVID-19 pandemic and as part of our safety measures, the forthcoming AGM will be conducted with strict SOP issued by the Government.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
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.*

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