

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5738  
**COMPANY NAME** : COUNTRY HEIGHTS HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 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 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 is responsible for setting the strategic directions of the CHHB Group and monitoring the implementation of those strategies by the Management, including:-</p> <ul style="list-style-type: none"><li>• oversight of the CHHB Group, including its control and accountability systems;</li><li>• appointing and removing the Group CEO;</li><li>• appointing and removing the Group CFO;</li><li>• appointing and removing the Company Secretary;</li><li>• Board and Executive Management development and succession planning;</li><li>• input into and final approval of corporate strategy;</li><li>• input into and final approval of the annual operating budget (including the capital management budget);</li><li>• approving and monitoring the progress of major capital expenditure, capital management and acquisitions/divestment;</li><li>• monitoring compliance with all relevant legal, tax and regulatory obligations;</li><li>• reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;</li><li>• at least annually, reviewing the effectiveness of CHHB's implementation of its risk management system and internal control framework;</li><li>• monitoring Executive Management's performance and implementation of strategy and policies, including assessing whether appropriate resources are available;</li><li>• approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders; and</li><li>• appointment, reappointment or replacement of the external auditor.</li></ul>

<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 1.2**

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 Founder of CHHB, Tan Sri Lee Kim Tiong @ Lee Kim Yew (“Tan Sri Lee”), is the Executive Chairman of the Company. As Executive Chairman, and given his capability, leadership and entrepreneurship skills, business acumen and his vast experience in the industry, Tan Sri Lee undertakes to personally and passionately spearhead the CHHB Group to better performance in the near future together with the three (3) Executive Directors, each having separate and clearly defined scope of responsibility and authority. The division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.</p> <p>The role and responsibilities of the Chairman are stated in the Board Charter which is available in the Company’s website at <a href="http://www.countryheights.com.my">www.countryheights.com.my</a></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>	:	The roles of the Executive Chairman of the Board and the Group CEO of the Company are exercised by separate individuals and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority to promote accountability.	
<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>	:	The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures and advocate adoption of corporate governance best practices. The Company Secretary is responsible to provide clear and professional advice to the Board on all governance matters, to ensure that Board procedures are followed, and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary attends and ensures that all meetings of the Board, Board Committees and Shareholders are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory registers of the Company. The Board is regularly updated and apprised by the Company Secretary on new regulations issued by the regulatory authorities.
<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 1.5

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 Directors have full and unrestricted access to complete information on a timely basis pertaining to the CHHB Group's business and affairs to enable them to discharge their duties. Board Meetings which are scheduled to be held are also presented with relevant reports to facilitate its decision-making process. The Board and its Committees are given the notice and agenda of meetings at least seven (7) days in advance and the meeting papers are delivered at least three (3) days prior to each meeting.</p> <p>All Board decisions are clearly recorded in the minutes, including the rationale for each decision, along with clear actions to be taken and the individuals responsible for their implementation. Relevant urgent Board decisions are communicated to the Management within one working day of the Board meeting and the minutes of Board Meetings are completed for comments by the Board members on a timely basis before the next succeeding Board meeting. Relevant extracts of the minutes are distributed to the Management for action once the board minutes are completed, depending on the urgency of the matters.</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 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 Company has adopted a Board Charter which clearly defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and Management in setting the direction, the management and the control of the Company as well as matters reserved for the Board.</p> <p>The Board Charter has been uploaded on the Company's website at <a href="http://www.countryheights.com.my">www.countryheights.com.my</a>. The Board will review the Board Charter of the Company periodically and will update the Board Charter where appropriate, from time to time.</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 Code of Ethics for Directors which was adopted by the Board supports the Company's vision and core values by instilling, internalising and upholding the value of uncompromising integrity in the behaviour and conduct of the Directors.</p> <p>The code is reviewed and updated regularly by the Board. The code has been uploaded on the Company's website at <a href="http://www.countryheights.com.my">www.countryheights.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 3.2

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>An internal whistleblowing Policy has been introduced for the employees to channel concerns about illegal, unethical or improper business conduct affecting the Company and about business improvement opportunities.</p> <p>The Board and the Management gave their assurance that employees will not be at risk to any form of victimisation, retribution or retaliation from their superiors or any member of the Management provided they act in good faith in their reporting.</p> <p>The Whistleblowing Policy has been uploaded on the Company's website at <a href="http://www.countryheights.com.my">www.countryheights.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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	CHHB still meets the requirements of the Main Market Listing Requirements.	
		<i>“A listed issuer must ensure that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors”.</i>	
<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>	:	Choose an item.	

## 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 - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<p>The Board notes the Code's recommendations in relation to the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years.</p> <p>Mr Chew Chong Eu was appointed to the Board as Independent Non-Executive Director of the Company on 29 April 2008 and has, therefore served for more than 9 years. Notwithstanding his long tenure in office, the Board, based on the review and recommendations made by the Nomination &amp; Remuneration Committee, is unanimous in its opinion that the independency of Mr Chew Chong Eu has not been compromised or impaired based on the following justifications:</p> <ul style="list-style-type: none"><li>• He continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the MMLR;</li><li>• He has been with the Company for more than nine (9) years and therefore, understand the Company's business operations which enable him to participate actively and contribute positively during deliberations or discussions at meetings of the Nomination &amp; Remuneration Committee, the Audit &amp; Risk Management Committee, and the Board; and</li><li>• He has contributed sufficient time and efforts at the meetings of the Nomination &amp; Remuneration Committee, the Audit &amp; Risk Management Committee, and the Board for informed and balanced decision making.</li></ul> <p>The Board therefore believes that Mr Chew Chong Eu should be retained as Independent Non-Executive Director and accordingly, recommends him to be retained as Independent Non-Executive Director. Ordinary resolution for the aforesaid purpose will be tabled at the forthcoming AGM for shareholders' approval.</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>	:	All nominees to the Board are first considered by the Nomination & Remuneration Committee, based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender before they are recommended to 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

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supportive of gender diversity in the boardroom as recommended by the Code and has developed a Gender Diversity Policy to promote the representation of women in the composition of the Board. For the purpose of the Code, the Gender Diversity Policy will refer principally to gender diversity in the boardroom, but this approach however, in no means limits the Company's recognition and respect for the value of diversity at all levels of the organisation. A diverse boardroom and workplace include the skills and perspective that people bring to the organisation through, but not limited to, experience, gender, age, culture and beliefs. The Board will consider more female representation when suitable candidates are identified.</p> <p>The Gender Diversity Policy has been uploaded on the Company's website at <a href="http://www.countryheights.com.my">www.countryheights.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 4.6

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>	:	The Nomination & Remuneration Committee may also consider the use of external consultants in the identification of potential directors.	
<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>	:	The Chairman of the Nomination & Remuneration Committee is Mr. Chew Chong Eu, an Independent Non-Executive Director of CHHB.	
<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>During the year, the NRC has fulfilled a number of key activities, as listed below:</p> <ul style="list-style-type: none"> <li>• Evaluated and assessed the performance of the Independent Non-Executive Directors (self-assessment) for the year 2017.</li> <li>• Evaluated and assessed the performance and effectiveness of the Board of Directors and Board Committees for the year 2017.</li> </ul> <p>The NRC noted that the Board and its Committees had met the board structure criteria, as to its size, independence, desired skills and qualities of the Board members, as required by the regulations and the results was tabled to the Board for notification.</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 6.1

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 policy and framework for the overall remuneration of the Executive and Non-Executive Directors are reviewed regularly against market practices by the Nomination &amp; Remuneration Committee, following which recommendations are submitted to the Board for approval.</p> <p>The Board as a whole determines the remuneration of the Directors and each individual Director abstains from the Board decision on his own remuneration.</p> <p>The remuneration of Non-Executive Directors is based on a standard fixed fee. In addition, allowances are also paid in accordance with the number of meetings attended during the year.</p> <p>The Executive Directors are not entitled to the above Directors' fee nor are they entitled to receive any meeting allowance for Board or Board Committee meetings that he/she attends. Their remuneration is based on their Key Performance Indicators ("KPIs") which are appraised annually.</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 6.2

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>	:	The responsibility of the Nomination & Remuneration Committee, among others, is to review and recommend the appropriate level of remuneration for the Executive and Non-Executive Directors.  The terms of reference of the Nomination & Remuneration Committee is available on the Company's website at <a href="http://www.countryheights.com.my">www.countryheights.com.my</a> .
<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>	:	<p>The remuneration of the Directors (including Encik Nik Hassan Bin Nik Mohd Amin and Mr Har Soon Thim prior to their resignations) for the financial year ended 31 December 2018 is as follows:</p> <table border="1"> <thead> <tr> <th colspan="5"><b>Non-Executive Directors (Company Level)</b></th> </tr> <tr> <th><u>Name of Directors</u></th> <th><u>Fees (RM'000)</u></th> <th><u>Allowance (RM'000)</u></th> <th><u>Benefits-in kind (RM'000)</u></th> <th><u>Total (RM'000)</u></th> </tr> </thead> <tbody> <tr> <td>Ong Tee Chin</td> <td>19.0</td> <td>13.0</td> <td>-</td> <td>32.0</td> </tr> <tr> <td>Chew Chong Eu</td> <td>16.0</td> <td>13.0</td> <td>-</td> <td>29.0</td> </tr> <tr> <td>Lee Cheng Wen*</td> <td>-</td> <td>10.0</td> <td>-</td> <td>10.0</td> </tr> <tr> <td>Nik Hassan bin Nik Mohd Amin<sup>@</sup></td> <td>21.0</td> <td>13.0</td> <td>-</td> <td>34.0</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="6"><b>Executive Directors (Group Level)</b></th> </tr> <tr> <th><u>Name of Directors</u></th> <th><u>Salaries (RM)</u></th> <th><u>Allowance (RM)</u></th> <th><u>Benefits in kind (RM)</u></th> <th><u>EPF (RM)</u></th> <th><u>Total (RM)</u></th> </tr> </thead> <tbody> <tr> <td>Tan Sri Lee Kim Tiong @ Lee Kim Yew</td> <td>-</td> <td>-</td> <td>15.0</td> <td>-</td> <td>15.0</td> </tr> <tr> <td>Lee Sow Lin</td> <td>513.6</td> <td>-</td> <td>5.0</td> <td>71.9</td> <td>590.5</td> </tr> <tr> <td>Lee Thai Young Matahari</td> <td>-</td> <td>-</td> <td>5.0</td> <td>-</td> <td>5.0</td> </tr> <tr> <td>Yip Chun Mun</td> <td>120.0</td> <td>-</td> <td>5.0</td> <td>16.8</td> <td>141.8</td> </tr> <tr> <td>Har Soon Thim<sup>+</sup></td> <td>339.8</td> <td>36.4</td> <td>-</td> <td>49.1</td> <td>425.3</td> </tr> </tbody> </table> <p><i>Notes:</i>  * Ms Lee Cheng Wen has voluntarily suspended the payment of her Director's Fee until such time when the CHHB Group would be able to generate sufficient profit.  <sup>@</sup> Encik Nik Hassan Bin Nik Mohd Amin resigned on 12 April 2019.  <sup>+</sup> Mr Har Soon Thim resigned on 22 October 2018.</p>	<b>Non-Executive Directors (Company Level)</b>					<u>Name of Directors</u>	<u>Fees (RM'000)</u>	<u>Allowance (RM'000)</u>	<u>Benefits-in kind (RM'000)</u>	<u>Total (RM'000)</u>	Ong Tee Chin	19.0	13.0	-	32.0	Chew Chong Eu	16.0	13.0	-	29.0	Lee Cheng Wen*	-	10.0	-	10.0	Nik Hassan bin Nik Mohd Amin <sup>@</sup>	21.0	13.0	-	34.0	<b>Executive Directors (Group Level)</b>						<u>Name of Directors</u>	<u>Salaries (RM)</u>	<u>Allowance (RM)</u>	<u>Benefits in kind (RM)</u>	<u>EPF (RM)</u>	<u>Total (RM)</u>	Tan Sri Lee Kim Tiong @ Lee Kim Yew	-	-	15.0	-	15.0	Lee Sow Lin	513.6	-	5.0	71.9	590.5	Lee Thai Young Matahari	-	-	5.0	-	5.0	Yip Chun Mun	120.0	-	5.0	16.8	141.8	Har Soon Thim <sup>+</sup>	339.8	36.4	-	49.1	425.3
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<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The remuneration of the Executive Directors (including Mr Har Soon Thim prior to his resignation) for the financial year ended 31 December 2018 is as follows:	
		<b>Range of Remuneration (RM)</b>	<b>Top Five Senior Management</b>
		Up to 50,000	<ul style="list-style-type: none"> <li>• Tan Sri Lee Kim Tiong @ Lee Kim Yew (Executive Chairman)</li> <li>• Lee Thai Young Matahari (Executive Director)</li> </ul>
		100,000 – 150,000	<ul style="list-style-type: none"> <li>• Yip Chun Mun (Executive Director)</li> </ul>
		400,000 – 450,000	<ul style="list-style-type: none"> <li>• Har Soon Thim<sup>+</sup> (Executive Director)</li> </ul>
		550,000 – 600,000	<ul style="list-style-type: none"> <li>• Lee Sow Lin (Executive Director)</li> </ul>
		<p><u>Notes:</u>  <sup>+</sup> Mr Har Soon Thim resigned on 22 October 2018.</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**

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>	:	The Chairman of Audit & Risk Management Committee, Mr Ong Tee Chin, who is an Independent Non-Executive Director and 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>There is no former key audit partner being appointed as a member of the Audit &amp; Risk Management Committee.</p> <p>The Audit &amp; Risk Management Committee is effective and independent, therefore, providing assurance to stakeholders of the accuracy in the disclosure of financial information.</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 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>	:	The Audit & Risk Management Committee has evaluated the performance of Messrs. UHY, including assessment of the following during the FY2018:  (a) make appropriate recommendations to the Board on matters pertaining to the nomination, appointment and dismissal of external auditors and the fee thereof;  (b) review and discuss with the external auditors before the commencement of audit, the nature and scope of the audit;  (c) discuss problems and reservations arising from the interim and final audits, and any other matters the external auditors may wish to discuss (in the absence of management where necessary); and  (d) review external auditors' letter to management (if any) and management's response.
<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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<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 8.5

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>	:	Applied						
<b>Explanation on application of the practice</b>	:	<p>The Audit &amp; Risk Management Committee ("ARMC") members are Ong Tee Chin, Chew Chong Eu, and Lee Cheng Wen. The members of the ARMC have the relevant accounting or related financial management experience or expertise.</p> <p>Listed below are the seminars and training events attended by the members of the ARMC to keep abreast of latest developments:</p> <table border="1"> <tr> <td>Ong Tee Chin</td> <td> <ul style="list-style-type: none"> <li>• Non Financials – Does it Matter.</li> <li>• Technical Analysis Series: How to perform Successful Trades with Simple and Effective Technical Analysis.</li> <li>• AMLA – Financial Services &amp; Prevention of Market Misconduct in Digital Economy.</li> </ul> </td> </tr> <tr> <td>Chew Chong Eu</td> <td> <ul style="list-style-type: none"> <li>• China's Belt &amp; Road Initiative: Impact on Malaysia Capital Market.</li> <li>• Kampuchea Institute of Certificate Public Accountants &amp; Auditors &amp; Grant Thornton (Cambodia) Limited.</li> <li>• Auditing, Assurance &amp; Risk Management.</li> </ul> </td> </tr> <tr> <td>Lee Cheng Wen</td> <td> <ul style="list-style-type: none"> <li>• Corporate Governance Briefing Session.</li> <li>• ASEAN – Disruptive Leadership Summit.</li> </ul> </td> </tr> </table>	Ong Tee Chin	<ul style="list-style-type: none"> <li>• Non Financials – Does it Matter.</li> <li>• Technical Analysis Series: How to perform Successful Trades with Simple and Effective Technical Analysis.</li> <li>• AMLA – Financial Services &amp; Prevention of Market Misconduct in Digital Economy.</li> </ul>	Chew Chong Eu	<ul style="list-style-type: none"> <li>• China's Belt &amp; Road Initiative: Impact on Malaysia Capital Market.</li> <li>• Kampuchea Institute of Certificate Public Accountants &amp; Auditors &amp; Grant Thornton (Cambodia) Limited.</li> <li>• Auditing, Assurance &amp; Risk Management.</li> </ul>	Lee Cheng Wen	<ul style="list-style-type: none"> <li>• Corporate Governance Briefing Session.</li> <li>• ASEAN – Disruptive Leadership Summit.</li> </ul>
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Lee Cheng Wen	<ul style="list-style-type: none"> <li>• Corporate Governance Briefing Session.</li> <li>• ASEAN – Disruptive Leadership Summit.</li> </ul>							
<b>Explanation for departure</b>	:							

*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

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>	:	The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board is assisted by the Management to implement approved policies and procedures on risk and internal controls. Management identifies and evaluates the risks faced by the Group and designs, implements and monitors an appropriate system of internal controls in line with policies approved by 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

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>Key elements of the Group's internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:</p> <ol style="list-style-type: none"> <li>1. Control Environment</li> <li>2. Risk Management</li> <li>3. Internal Audit Function</li> <li>4. Information and Communication</li> <li>5. Review &amp; Monitoring Process</li> </ol> <p>The Board with the assistance of the Audit &amp; Risk Management Committee continuously review the on-going process of identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives throughout the financial year under review.</p> <p>The risk management process involves the senior management as well as the Executive Directors through direct participation in periodic management meetings. These meetings are held to assess and monitor the Group's risk as well as deliberate and consider the Group's financial performance, business development, management and corporate issue.</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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit & Risk Management Committee comprising a majority of Independent Directors oversees the Company's risk management framework.

### 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 Group Internal Audit Department reports directly to the Audit &amp; Risk Management Committee.</p> <p>Periodic testing of the effectiveness and efficiency of the internal control procedures and processes are conducted to ensure that the system is viable and robust.</p> <p>For 2018, all the internal audits were performed by the in-house Group Internal Audit Department. Arising from these assessments and reviews, the Group Internal Audit Department presented their reports to the Audit &amp; Risk Management Committee on their findings, recommendations for improvements and the response from management for the Committee's deliberation and consideration.</p> <p>The internal audit activities carried out, under a risk-based approach, for the financial year include, inter alia, the following:-</p> <ul style="list-style-type: none"><li>i) formulated annual risk-based audit plan and reviewed the resource requirements for audit executions;</li><li>ii) executed internal audit reviews in accordance with the approved annual audit plan;</li><li>iii) issued reports on the internal audit findings identifying weaknesses and highlighting recommendations for improvements on a periodic basis;</li><li>iv) followed-up on the implementation of corrective action plans or best practices agreed with management; and</li><li>v) attended ARMC meetings to table and discuss the audit reports and followed up on matters raised.</li></ul>
<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 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>The internal audit function reports independently to the Audit &amp; Risk Management Committee and they were also free from any relationship or conflicts of interest. The Group Internal Audit Department (“GIAD”) operated with a total of 2 staff at the moment. The GIAD is headed by the Group Senior Manager, T.Ganeshalingam A/L P.Thuraiajah who reports to the Audit Committee. He holds a Master’s Degree in Business Administration and he is also a Member of The Institute of Internal Auditors Malaysia.</p> <p>The internal audit function performs internal audits with strict adherence to the Professional Practices Framework of The Institute of Internal Auditors, USA (“IIA”) and conformance with the IIA’s International Standards for The Professional Practice of Internal Auditing in meeting the responsibilities of internal auditors and the internal audit activity.</p> <ol style="list-style-type: none"> <li>1.Delineate basic principles that represent the practice of internal auditing.</li> <li>2.Provide a framework for performing and promoting a broad range of value-added internal auditing.</li> <li>3.Establish the basis for the evaluation of internal audit performance.</li> <li>4.Foster improved organisational processes and operations.</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 values the support of its shareholders and investors. It also recognises the importance of effective communication with the shareholders and the investment community of material corporate and business matters of the CHHB Group. Its commitment, both in principle and practice, is to maximise transparency consistent with good corporate governance, except where commercial confidentiality dictates otherwise.</p> <p>In complying with Paragraph 9.21(3) of the MMLR to improve investor relations between the Company and its stakeholders, CHHB ensures that its website contains the email address(es) of the designated person(s) and contact numbers to enable the public to forward queries to the Company. CHHB also post announcements made to Bursa Securities on its website immediately after such announcements are released on Bursa Securities' website.</p> <p>Shareholders and members of the public can access the Company's website at <a href="http://www.countryheights.com.my">www.countryheights.com.my</a> for the latest information on the CHHB 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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	CHHB is not a “Large Company” as defined under the MCCG.	
<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>	:	Choose an item.	

**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>	:	Notice of AGM is sent out to the shareholders in the month of April with more than the required twenty eight (28) days' notice before the date of the AGM, which is usually held in June. This would enable the shareholders ample time to make the necessary arrangement to attend and participate in person or by corporate representatives, proxies or attorneys.	
<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>	:	All Directors of CHHB, including the Chairman of the ARMC and NRC, Senior Management and the External Auditors will attend the AGM to provide meaningful response to questions addressed.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:	The Company does not have meetings in remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders’ participation in General Meetings. It is also currently not cost effective nor practical for the Company to do so.	
<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>	:		



**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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