

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors ("Board") of Cepatwawasan Group Berhad ("Company") is committed to ensure that the highest standards of corporate governance are practised throughout the Group towards enhancing business prosperity and corporate accountability to realise long term shareholders' value for the Company's shares. The Board is working towards ensuring full compliance with principles and best practices of Malaysian Code on Corporate Governance.</p> <p>The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources. It focuses on financial performance and crucial business issues, like principal risks and their management, succession planning for senior management, investor relations programme and shareholders communication policy, systems for internal control and compliance with laws and regulations.</p> <p>In discharging their responsibility, the Board considers all aspects of the operations of the Group and in particular the following areas:</p> <ul style="list-style-type: none">• Reviewing and adopting a strategic business plan for the Group.• Overseeing the conduct of the business of the Group.• Identifying and putting in place systems to manage any principal risk.• Succession planning for senior management.• Developing and implementing investor relations programme or shareholder communications policy.• Reviewing internal control and management information systems. |

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| | <p>To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:-</p> <ul style="list-style-type: none"> (a) Audit Committee (b) Nomination Committee (c) Remuneration Committee (d) Executive Committee | |
| <p>Explanation for departure</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>Measure</p> | | |
| <p>Timeframe</p> | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Tan Sri Dr Mah King Thian @ Mah King Thiam is the Chairman of the Company. His profile can be viewed on page 8 of the Company's Annual Report. He leads the board to enable the Board function effectively.</p> <p>As provided by the Company's Board Charter, the Chairman is required, amongst others, to:</p> <ol style="list-style-type: none"> 1. Facilitate all Board meetings and ensure the appropriate level of interaction among Board members, subsidiary Board members and senior management; 2. Ensure a balance composition of skills, knowledge and experience within the Board and an effective working, reporting and communication mode; 3. Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making; 4. Monitor the performance of the individual and collective roles of the directors and the Board; 5. Maintain a regular and constructive dialogue with the Managing director and senior management in respect of all material matters affecting the Company and the Group and to consult with the other Board members promptly and appropriately; and 6. Chair all meetings with the shareholders i.e. Annual General Meeting, Extraordinary General Meeting. |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority. Tan Sri Dr Mah King Thian @ Mah King Thiam is an Executive Chairman and Chairman of the Board whereas Dato' Seri Mah King Seng is the Group Managing Director of the Company.</p> <p>The Chairman is primarily responsible for the orderly conduct and working of the Board while the Managing Director has overall responsibilities in the implementation of Board policies and decisions as well as some of the Group's day-to-day operations.</p> <p>The Chairman is an Executive Director and remains so after taken into consideration of his vast experience in managing the Group's main business in plantations and palm oil mill which would enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group.</p> <p>The respective duties and responsibilities of the chairman and the Group Managing Director are contained in the Board charter.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretaries of the Company are Mr. Kang Shew Meng and Ms Seow Fei San. They are qualified to act as company secretary under section 235 of the Companies Act 2016.</p> <p>The Company Secretaries play important roles in ensuring adherence to the Board policies and procedures from time to time.</p> <p>The Company Secretaries carry out the following tasks:</p> <ul style="list-style-type: none"> • Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting (“AGM”) and Extraordinary General Meeting (“EGM”); • Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia on a timely basis; • Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions; • Ensure that the Company complies with the Main Market Listing Requirements (“MMLR”) and the requirements of the relevant authorities; • Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices; • Keep the Directors and principal officers informed of the closed period for trading in the Company’s Securities; and • Ensure proper record and maintenance of the Company’s proceedings, resolutions, statutory records, register books and documents. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board meets on a quarterly basis and additionally as and when required. All Directors are provided with an agenda and a set of board papers issued at a reasonable period from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.</p> <p>In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and properties that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.</p> <p>In carrying out their duties, the Directors have complete access to all staff for information pertaining to the Group's affairs. The Directors also have full access to advice and services of the Company Secretary. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.</p> <p>The Board also ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the Board also ensures the minutes are circulated in a timely manner.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is guided by its Board Charter. The Board has established clear functions reserved for the Board and those delegated to Management in the Board Charter which serves as a reference point for Board's activities. The Board Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors and it is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.</p> <p>The Board Charter addresses, among others, the following matters:-</p> <ul style="list-style-type: none"> • Role and responsibilities of the Board; • Composition, Board balance and Board diversity; • The role of Chairman and Group Managing Director; • Supply of information and Board meetings; • Matters reserved for the Board; • Board effectiveness evaluation; • Board Committees; • Financial Reporting; • General Meetings; and • Communication with stakeholders. <p>The Board Charter was reviewed and updated on 22 February 2021. The Board Charter is accessible for reference on the Group's website, www.cepatgroup.com</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

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| Timeframe | : | | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company has formalised a set of ethical standards through a Code of Conduct and Ethics, which is subject to periodical review, to ensure Directors practise ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. The Board would review the said Code of Conduct and Ethics when necessary. The Code of Conduct and Ethics is published on the Company’s website at www.cepatgroup.com.</p> <p>Along with good governance practices and in order to enhance transparency and accountability, the Board has established and put in place the following policies and procedures which full details of the policies and procedures are made available at the Company’s website at www.cepatgroup.com:</p> <ul style="list-style-type: none"> - Board Charter - Code of Conduct and Ethics - Shareholder’s Right relating to General Meeting - Whistleblowing Policy and Procedure - Sustainability Policy - Anti-bribery Policy and Corruption Policy |
| Explanation for departure | : | |

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

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| Measure | : | |
| Timeframe | : | |

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 whistle blowing.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group is committed in preserving and protecting the interest and reputation at all times. In this respect, the Whistleblowing Policy was established in July 2010.</p> <p>The main objective of the Whistleblowing Policy and Procedure is to provide an objective point of escalation for employees or stakeholders to disclose in a bona fide manner any suspected acts of wrongdoings without any fear of reprisal. The Whistleblowing Policy and Procedure provides guidelines for the reporting and the investigation of any wrongdoings.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

Compliance

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board comprises seven (7) members, three (3) of which are Independent Directors as follows: Datuk Chua Kim Yin Mr. Chan Kam Leong Mr. Choong Pak Wan</p> <p>The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | Datuk Chua Kim Yin, Mr. Chan Kam Leong and Mr. Choong Pak Wan have served the Board for more than 12 years. The Board is of the opinion that they have brought and will continue to bring positive contributions to the Group through their area of expertise and understanding of the group's business operations. Thus, the Board recommends them to continue to act as Independent Directors of the Company. In the coming Annual General Meeting, the Company would apply the two-tier voting process in seeking shareholders' approval for both of them to continue to serve as Independent Directors on the Board. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Company does not have a policy on the tenure of Independent Director, however, the Company recognises the MCCG's recommendation on the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the Independent Director may continue to serve on the Board as an Independent Director subject to assessment by the Board and shareholders' approval at the general meeting.</p> <p>The Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve (12) years of tenure of office.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board acknowledges the importance of Boardroom diversity. A diversity policy has been established by the Board. The Board endeavours to have at least one woman participate on the Board at all times. The Board endeavours to have diversity of the Board as well as its workforce in terms of experience, qualification, ethnicity and age.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nomination Committee is detailed in its Terms of Reference, which is accessible for reference on the Group's website at www.cepatgroup.com.</p> <p>In making its recommendations to the Board, the Nomination Committee considers and assess the suitability of a new appointment based on the profile and background of candidate (s).</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board acknowledges the call by the Government and MCGG for boards of Large Companies to comprise at least 30% women on board. During the year 2018, Dr Jordina Mah Siu Yi has been appointed on 7 March 2018 as Alternate Director to Executive Chairman, Tan Sri Dr Mah King Thian @ Mah King Thiam and Ms Mah Li-Na has been appointed on 16 May 2018 as Alternate Director to Managing Director, Dato' Seri Mah King Seng. Their appointments enable the Company to observe its succession planning. | |
| | : | The Board will take steps to reflect the Company's commitment towards gender diversity. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nomination Committee is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the Nomination Committee leverages on several sources to gain access to a wide pool of potential candidates. The responsibilities of the Nomination Committee in this regard are outlined in its Terms of Reference.</p> <p>In evaluating potential candidates, the Nomination Committee will assess directorship suitability based on the profile and background of candidate (s).</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Nomination Committee is chaired by Datuk Chua Kim Yin, a Senior Independent Non-Executive Director | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Nomination Committee will conduct annual assessment on the Board and the Board Committees. The assessment and evaluation is properly documented.</p> <p>The Nomination Committee, upon conclusion of the evaluation exercise, was satisfied that the Board and Board Committee composition had fulfilled the criteria required, possess a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and robust decision-making process. Independent Directors were assessed to be objective in exercising their judgment.</p> <p>The evaluation was conducted internally, facilitated by the Company Secretary. The evaluation was conducted using questionnaires that were administered by the Company Secretary which employ a self and peer rating assessment model.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The remuneration policy and procedure can be found at the Company's website at www.cepatgroup.com . | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Terms of Reference of Remuneration Committee is accessible for reference on the Group's website at www.cepatgroup.com | |
| Explanation for departure | : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The remuneration policy and procedure can be found at the Company's website at www.cepatgroup.com . The aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 31 December 2020 is disclosed on pages 35 to 36 of the Annual Report 2020. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>Remuneration paid to the three (3) Senior Management who are not Directors of the Company for the financial year ended 31 December 2020 is set out on page 36 of the Annual Report 2020.</p> <p>The remuneration of these three (3) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | The Company will provide detailed disclosure of Senior Management's remuneration if the requirement is made mandatory under MMLR. | |
| Timeframe | : | Others | Within 2 years or a prescribed period when the requirement is made mandatory under MMLR. |

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.

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Chairman of Audit Committee is Datuk Chua Kim Yin while the Chairman of the Board is Tan Sri Dr Mah King Thian @ Mah King Thiam |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | No such policy as the Company has no intention to appoint former auditors as Director. | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has established policies and procedures on 2013 to assess the suitability and independence of the external auditors and the Audit Committee had at the meeting held on 22 February 2021 assessed the suitability and independence of the external auditors based on the criteria set forth in the policy and procedure.</p> <p>In its assessment, the Audit Committee considered several factors, which included adequacy of experience and knowledge of the relevant accounting standards, ability to meet deadlines, quality and quantity of human resources used to perform the assigned audit, clarity of presentations and quality of reports produced and independence of PFK.</p> <p>PKF confirmed that they have been independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, throughout their written confirmation via Audit Planning Memorandum presented to the Audit Committee at a meeting held on 16 November 2020.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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.

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| Application | : | Adopted |
| Explanation on adoption of the practice | : | The members of Audit Committee consist of three (3) 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.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | All members of the Audit Committee are professional in their area of expertise such as laws, architect and engineering. They are all financially literate and the Audit Committee Chairman is an Associate Member of Certified Practising Accountant Australia. An update on the training programme and Seminars attended by the Directors set out on page 32 of the Annual report |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This ongoing process which includes updating the system of internal controls when there are changes in the business environment or regulatory guidelines is reviewed by the Board.</p> <p>A formal risk management framework has been established to ensure that structured and consistent approach and methods are practised in the ongoing process of identifying and assessing various critical risks that are considered likely to affect the profitable operation of the business units in the Group. These include operational risk, market risk, legal risk and environmental risk.</p> <p>Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, which is on page 53 to page 55 of the Company's Annual Report 2020.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | Details of the features of risk management and internal control framework, and the adequacy and effectiveness of this framework are contained in the Statement of Risk Management and Internal Control which is on page 53 to page 55 of the Company's Annual Report 2020. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | The Board size of the Company is small which only consists of three (3) Independent Directors, thus the Company does not have a separate committee for risk management. The function of risk management is however been absorbed by the Audit Committee. |

Intended Outcome

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

Practice 10.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Audit Committee is responsible for to review the adequacy of the internal audit scope and plan, and the findings identified by the internal audit function.</p> <p>During the year, the internal audit function was outsourced to KPMG Management & Risk Consultancy Sdn. Bhd. whom reports directly to the Audit Committee.</p> <p>The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit Committee.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 10.2

The board should disclose–

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

| | | | |
|--|---|---|--|
| Application | : | Applied. | |
| Explanation on application of the practice | : | <p>The Group outsourced its internal audit function KPMG Management & Risk Consultancy Sdn. Bhd.</p> <p>The role of the internal audit function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group’s operations. It submits its findings and recommendations to the Audit Committee and senior management of the Group.</p> <p>The Internal Audit adopts a risk-based approach with focus on effective risk management practices and is guided under International Professional Practices Framework.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 11.1

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

| | | |
|---|---|---|
| Application | : | Applied. |
| Explanation on application of the practice | : | <p>The Company has implemented a shareholder communications policy to ensure effective communication with its shareholders and other stakeholders.</p> <p>Communication between the Company and its shareholders are done in the following manner:</p> <p>a. Dialogue between Companies and Investors</p> <p>The annual report, quarterly reports and various mandatory announcements are the main channel of information by the Company of its financial performance, operations and corporate developments.</p> <p>The Company's website at www.cepatgroup.com contains vital information concerning the Group which is updated on a regular basis and shareholders are able to put questions to the Company through the website.</p> <p>The Board considers it essential that investors are kept informed of all the latest financial result and developments of the Company and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the websites of the Company and Bursa Malaysia Securities Berhad.</p> <p>b. The Annual General Meeting</p> <p>The Annual General Meeting is an important event for the Company as the Board has the opportunity to have a dialogue with the shareholders to present the results and performance of the Group and to address all questions that may arise. Suggestions and comments by shareholders will be noted by the Board for consideration.</p> |

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

Intended Outcome

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

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

Practice 11.2

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Not applicable as the Company is yet a large Company as defined By MCCG. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | | | |

Intended Outcome

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

Practice 12.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The notice for the upcoming 21 st Annual General Meeting in 2021 has been provided to shareholders on 26 April 2021, more than 28 days before the meeting to be held on 25 May 2021. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--------------------|
| Application | : | Applied. | |
| Explanation on application of the practice | : | During the last Annual General Meeting, the Chairmen of the respective Board Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Board Committees. | |
| | | For the coming Annual General Meeting, the Board will continue its past practice to have the full Board present at the Annual General Meeting which included the following directors whom are Chairman of the Board Committees. | |
| | | Board Committee | Chairman |
| | | Audit Committee & Nomination Committee | Datuk Chua Kim Yin |
| | | Remuneration Committee | Mr. Chan Kam Leong |
| | | | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.3

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

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Not applicable as the Company do not have a large number of shareholders and is not a large Company as defined by MCCG . | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |