

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7252  
**COMPANY NAME** : TEOSENG  
**FINANCIAL YEAR** : December 31, 2019

## 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 assumes full responsibilities for the overall performance of the Company and its subsidiary companies by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans, careful stewardships of the Group assets and resources.</p> <p>The Board ensures the favourable operational efficiency and cost effectiveness in all undertakings of the Group and its subsidiary companies by delegating certain responsibilities to the following Committee Members:</p> <ul style="list-style-type: none"> <li>i. Audit Committees ("AC")</li> <li>ii. Nomination Committee ("NC")</li> <li>iii. Remuneration Committees ("RC")</li> <li>iv. Risk Management Committees ("RMC")</li> </ul> <p>The Board helms by providing leadership and guidance in achieving the corporate goals, managing the process to ensure the discharge of its duties.</p> <p>The below activities were carried out during the financial year ended 31 December 2019:</p> <ul style="list-style-type: none"> <li>a. Governance and Compliance <ul style="list-style-type: none"> <li>The Board remains committed to achieve the highest standards of corporate governance and integrity. The Board has carried out the following in discharging of its governance duties: <ul style="list-style-type: none"> <li>i. Reviewed and approved the Board Composition including the resignation of any Directorship;</li> <li>ii. Reviewed and approved the publication of Annual Report with required information and disclosures;</li> </ul> </li> </ul> </li> <li>b. Business Strategies, Budget and Financial Performance <ul style="list-style-type: none"> <li>The Board discussed and deliberated business strategic plans, budget, associated risk management and internal control,</li> </ul> </li> </ul>

	<p>market dynamics, financial performance and corporate governance matters for long term operational and financial of Teo Seng.</p> <p>c. Supervision and Assessment of Management Performance</p> <p>The Board monitored the implementation of business plans and assessed the performance through discussion of the key strategic initiatives, significant operational issues, Companies and Group’s performance were reported timely to the Board.</p> <p>d. Adequate and Integrity of Internal Control System</p> <p>The Board is ultimately responsible for the adequacy and integrity of the Group’s internal control system. It covers both operation and financial such as waste management control, human resources management control, reporting and monitoring, review process and procedures.</p> <p>e. Identifying and Managing of Principal Risks</p> <p>The Board has received assurance from the Managing Director and the Group Financial Controller to the best of their knowledge that the Group’s risk management and internal control systems are operating adequately and effectively in all material aspects.</p> <p>The Management assessed and mitigated the associated risks in all aspects. This has been reported to RMC for review.</p> <p>f. Succession Planning</p> <p>The Board delegates the planning on the succession of key management personnel (“KMP”) to the NC and RC.</p> <p>NC is responsible to review and assess the candidates for Senior Management positions, through nomination, selection, succession policy and recommendation to the Board, Board Committee/Members.</p> <p>RC is responsible to review the fair remuneration for the appointments.</p> <p>Both Committees are evaluated by Board to maintain its integrity.</p> <p>g. Investor Relations Programme and Effective Communication with Shareholders/Stakeholders</p> <p>Teo Seng conducted briefings and meetings with existing and potential investors, to keep updated activities and developments announced to Bursa Malaysia via BursaLINK and Company Annual Report.</p> <p>The information is posted to <a href="http://www.teoseng.com.my">www.teoseng.com.my</a></p>
<p><b>Explanation for departure</b></p>	<p>:</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<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 Chairman is elected by the Board Members to provide leadership at Board level and represents the Board to the shareholders and other stakeholders.</p> <p>The Chairman is responsible for ensuring the integrity and effectiveness of the Board and its Committees.</p> <p>The key roles of the Chairman, amongst others, are as follows:</p> <ol style="list-style-type: none"> <li>1. to ensure the Board functions effectively, cohesively and independently of Management;</li> <li>2. to provide governance in matters requiring corporate justice and integrity;</li> <li>3. to lead the Board, including presiding over Board Meetings and Company Meetings, directing Board discussions to effectively addressing the critical issues within the available time frame;</li> <li>4. to promote a respectful relationship between Board Members and the Management;</li> <li>5. to ensure the effectiveness in communication between the Company and/or Group, shareholders and stakeholders</li> </ol> <p>The roles and responsibilities of the Chairman is clearly defined and available at <a href="http://www.teoseng.com.my">www.teoseng.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>	:	<p>The roles of the Chairman and the Managing Director (“MD”) acting as CEO are distinct and separated to ensure a balance of power and authority.</p> <p>The Chairman is responsible to provide leadership at Board level, represents the Board to the shareholders and other stakeholders, besides ensuring the integrity and effectiveness of the Board and its Committees.</p> <p>The key roles of the Chairman, amongst others, are as follows:</p> <ol style="list-style-type: none"><li>1. to ensure the Board functions effectively, cohesively and independently of Management;</li><li>2. to provide governance in matters requiring corporate justice and integrity;</li><li>3. to lead the Board, including presiding over Board Meetings and Company Meetings, directing Board discussions to effectively addressing the critical issues within the available time frame;</li><li>4. to promote a respectful relationship between Board Members and the Management;</li><li>5. to ensure the effectiveness in communication between the Company and/or Group, shareholders and stakeholders</li></ol> <p>MD is responsible for the day-to-day management of the Company businesses, organisational effectiveness and implementation of Board strategies, policies and decisions.</p> <p>The delegation structure from the Board to MD is further cascaded to the Senior Management Team. Both MD and Senior Management Team remain accountable to the Board for the delegated authorities.</p> <p>Regular reporting has been made to the Board in areas where the Board is accountable on the Group’s overall performance.</p> <p>The responsibilities of the MD in general, are as follows:</p> <ol style="list-style-type: none"><li>1. develop the strategic directions of Teo Seng Group;</li><li>2. ensure the businesses of Teo Seng Group are properly and efficiently managed by the Executive Team, who implements the strategies and polices that are adopted by the Board and its Committees;</li></ol>

	<ol style="list-style-type: none"> <li>3. ensure the objectives and the Standard of Performance are understood by employees;</li> <li>4. ensure that the operational planning and control systems are in place;</li> <li>5. monitor performance results against planned;</li> <li>6. take necessary remedial actions which deemed fit;</li> </ol> <p>By virtue of the position, MD as a Board Member, acts as the intermediary between the Board and the Management.</p> <p>Responsibilities of the Chairman and MD is defined clearly in the Board Charter and available at <a href="http://www.teoseng.com.my">www.teoseng.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 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Teo Seng has qualified in-house and external Company Secretaries to act as under Section 235 of the Companies Act 2016 and are member of the Malaysian Institute of Chartered Secretaries and Administrators (MAISCA).</p> <p>Company Secretaries advise the Board in relation to the Constitution, Compliances, Policies and Procedures to the relevant legislations; highlight and update the Board on the new statutory and regulatory requirements, Corporate Governance matters relating to the discharge of duties and responsibilities.</p> <p>Summary of relevant activities carried out by the Company Secretaries for the financial year ended 31 December 2019 as follows:</p> <ol style="list-style-type: none"><li>1. serve a notice to the Directors and the Principal Officers to notify on the closed period for trading in the Company Shares pursuant to the Listing Requirements;</li><li>2. managed all Board and Committees Meetings such as logistics, attendance of the Board and etc;</li><li>3. attended all Board Meetings ensuring deliberations and decisions made by the Board and Board Committees were accurately minuted and records of proceedings of these meetings are properly kept;</li><li>4. ensure the Board and the Board Committees function effectively based on the Board Charter and the respective Term of Reference;</li><li>5. recorded the Directors' Interests for disclosure;</li><li>6. advised and facilitated the conduct of annual Board and Committees' Effectiveness Evaluations;</li></ol> <p>The Company Secretaries attended relevant development and training programmes to enhance their abilities in discharging their duties and responsibilities.</p> <p>The Board believes that the Company Secretaries are capable in carrying out their duties to ensure the effective functions of the Board.</p>
<b>Explanation for departure</b>	:	

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

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Paper contains meeting agendas, financial results and proposals, which are usually delivered 5 days prior to the meeting.</p> <p>This is to ensure the Board and Committees have sufficient time to assess the information facilitating decision making.</p> <p>KMPs are invited to attend the meetings to follow through the developments and directions of the Board as and when requires.</p> <p>The meeting proceedings were minuted, distributed to the Board Members on a timely manner and tabled for the confirmation in the subsequent meeting.</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 Board Charter sets out the Principal Roles of the Board, demarcation of the roles, functions, responsibilities power between the Board, Board Committees, Individual Directors and the Management.</p> <p>The Board Charter outlines the respective roles and responsibilities of the Board to enhance co-ordination and communication, clarify the accountabilities between the Board and the Senior Management for the benefits of Teo Seng and its shareholders.</p> <p>The Board Charter will assist the Board in the assessment of its own performance and Individual Directors in setting the directions, management and control of the organisation.</p> <p>Each of the roles and responsibilities are set out in the practice by performing each of the duties according to the delegated/given authorities.</p> <p>The Board Charter will be reviewed and updated periodically in accordance to the needs of Teo Seng and any new regulatory requirements that may have impact on the discharge of the Board duties and responsibilities.</p> <p>The Board has reviewed and updated the Board Charter on 17 April 2020.</p> <p>The updated Board Charter is available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised Directors' and Employees' Code of Ethics, setting out the standards of conduct expected from Directors, including principles relating to duties of each of the Directors, conflict of interest, fair dealing to avoid insider dealing, prohibited activities such as bribery and corruptions, health and safety compliance to the law and regulations.</p> <p>The Management is in the midst of formalising Employee's Handbook to further enhance Code of Ethics applied to Employees of the Group.</p> <p>The Codes is available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a></p> <p>The Board reviews regularly the policies and procedures to ensure the compliances by all parties from top-down management, good practice is implemented and updated.</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>	:	Whistleblowing Policy is available at <a href="http://www.teoseng.com.my">www.teoseng.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

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>	:	Applied																	
<b>Explanation on application of the practice</b>	:	Teo Seng Board comprises a group of mix experienced individual as Directors, offering a balanced view and perspective on the business.  The Board Composition during the year as follows: <table border="1"><thead><tr><th>Designation</th><th>No. of Directors</th><th>%</th></tr></thead><tbody><tr><td>Executive Director</td><td>1</td><td>17</td></tr><tr><td>Non-executive Director</td><td>2</td><td>33</td></tr><tr><td>Independent non-executive Director</td><td>3</td><td>50</td></tr><tr><td><b>TOTAL</b></td><td><b>6</b></td><td><b>100</b></td></tr></tbody></table> Dato' Zainal Bin Hassan, whom was re-designated as Independent Director in FY2018 has resigned on 14 November 2019 due to health reason.			Designation	No. of Directors	%	Executive Director	1	17	Non-executive Director	2	33	Independent non-executive Director	3	50	<b>TOTAL</b>	<b>6</b>	<b>100</b>
Designation	No. of Directors	%																	
Executive Director	1	17																	
Non-executive Director	2	33																	
Independent non-executive Director	3	50																	
<b>TOTAL</b>	<b>6</b>	<b>100</b>																	
<b>Explanation for departure</b>	:																		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																			
<b>Measure</b>	:																		
<b>Timeframe</b>	:																		

## Intended Outcome

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 Directors' Tenure Policy outlines the service tenure of Directors is available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a></p> <p>During the last 13<sup>th</sup> AGM held on 28 May 2019, the Shareholders of Teo Seng approved the re-appointment of Mr. Choong Keen Shian and Mr. Frederick Ng Yong Chiang, Dato' Koh Low @ Koh Kim Toon as Independent Non-executive Directors ("INED"). Mr. Choong and Mr. Frederick Ng have served the Board since 19 June 2008, whereas Dato' Koh since 19 November 2009.</p> <p>The Board has NC's recommendation to seek shareholders' approval in forthcoming 14<sup>th</sup> AGM to retain the designation of INED for Mr. Choong Keen Shian, Mr. Frederick Ng Yong Chiang and Dato' Koh @ Koh Kim Toon whom have serve the Board for more than 9 years.</p> <p>The reasons for retaining these INED as follows:</p> <ol style="list-style-type: none"><li>1. They are person of calibre, credibility and has extensive experience in their respective profession to provide independent judgement and constructive opinions and ideas to the Board;</li><li>2. They have ensured effective check and balance in the proceedings of the Board and demonstrated professional scepticism by representing the interest of various stakeholders;</li><li>3. They devoted sufficient time to attend meetings and actively participated in the Board's deliberations; and</li><li>4. They consistently demonstrate independence with high level of integrity and honesty.</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**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	Directors' Tenure Policy is available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a>

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Teo Seng has put in the Board Skills Matrix Form to conduct annual evaluation and assessment of the appointment of Directors, whereas Annual Evaluation Form for the KMPs is based on merit, context of diversity of skills, experience, age, background, gender, ethnicity and other relevant requirements.</p> <p>Current Board Composition reflects a mix of suitably qualified and experienced professions in the various fields which are vital for the strategic success of Teo Seng.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board has placed the importance of gender diversity in strengthening the Board and Board Committees.	
		The Board is observing the right and suitable candidates in all aspect to filling up the position.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Consider for at least one (1) woman Director	
<b>Timeframe</b>	:	Within 3 years	

### 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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board considers the potential candidates recommended by the existing Board Members, KMPs and/or major shareholders.  NC is responsible for assessing and recommending suitable candidate for Directorship to the Board, leverages on several sources to gain access to wide pool of potential candidates, based on the profile, background and professions of the candidates.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<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 4.7**

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>	:	Mr. Frederick Ng Yong Chiang whom is the INED, chairs the NC.	
<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>	:	NC assessed and evaluated the effectiveness of Board, Board Committees and Individual Directors annually.  Various evaluation methods are used i.e. Committee Evaluation, Self-Review Evaluation and/or Peer Review Evaluation.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Teo Seng has established its Remuneration Guide based on the survey information from external recruitment consultants.</p> <p>The Remuneration Guide serves as a base remuneration and benefit package to the Board and KMP whereas the quantum of remuneration package is linked with performance evaluation. The updated Remuneration Guide is in the midst of reviewing by the Board.</p> <p>The remuneration and benefit package based on the following criteria:</p> <ul style="list-style-type: none"><li>● experience, competencies and integrity</li><li>● performance and behaviour</li><li>● participation in the deliberation</li></ul> <p>Remuneration Policies and Procedures is subsequently incorporated and available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a></p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

### 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>	:	Departure							
<b>Explanation on application of the practice</b>	:								
<b>Explanation for departure</b>	:	<p>RC has been setup for the development and review of the remuneration package for the Board Members, aiming to attract and retain Directors for a proper governance and smooth running of Teo Seng.</p> <p>Current RC Composition as follows:</p> <table border="1"> <tr> <td>Choong Keen Shian</td> <td>Chairman</td> </tr> <tr> <td>Dato' Koh Low @ Koh Kim Toon</td> <td>Member</td> </tr> <tr> <td>Loh Wee Ching</td> <td>Member</td> </tr> </table> <p>RC meets annually to review the remuneration package of the Board Members and KMPs, recommend to the Board for approval.</p> <p>The Term of Reference of RC incorporating policies and procedures on remuneration is available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a></p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>		Choong Keen Shian	Chairman	Dato' Koh Low @ Koh Kim Toon	Member	Loh Wee Ching	Member
Choong Keen Shian	Chairman								
Dato' Koh Low @ Koh Kim Toon	Member								
Loh Wee Ching	Member								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.							
<b>Timeframe</b>	:	Choose an item.							



**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>In align with the Code, remuneration of Directors is disclosed and made on named basis.</p> <p>The details of the nature and amount of each Director for the financial year ended 31 December 2019 is disclosed in the page 36 to page 38 of Annual Report 2019.</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 7.2

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 current KMPs are as follows: <ol style="list-style-type: none"><li>1. Ng Eng Leng</li><li>2. Na Eluen</li><li>3. Na Yi Chan</li><li>4. Nam Ya Jun</li><li>5. Ku Leong Choon</li></ol> The remuneration components in band of RM50,000 and/or SGD50,000 is disclosed in page 38 of Annual Report 2019.
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	Detailed remuneration of the Directors and Key Management Personnel as disclosed in named basis in the page 36 to page 38 of the Annual Report.

**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>	:	AC Chairman: Mr. Choong Keen Shian Board Chairman: Mr. Lau Jui Peng	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Teo Seng does not appoint any former audit partner to be a member of AC as at to-date.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Cooling off period of former audit partner has been subsequently stated in the Clause 2.6 of the Term of Reference of AC is available at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a>	
<b>Timeframe</b>	:	Choose an item.	

### 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>	:	AC undertakes periodic/annual review and evaluation of the performance, independence, competencies and integrity of the External Auditor.  A written assurance by the External Auditor reaffirming and confirming the independence throughout the audit engagement in Teo Seng within the meanings of the provisions of the By-Laws on Professional Independence of Malaysian Institute of Accountants and its firm's requirement.  AC continues assessing the level of non-audit services rendered by the External Auditor that will not impair the objectivity and independence.  Being satisfied with the performance, technical competence and audit independence, AC recommended the re-appointment decision to the Board, upon which to seek shareholders' approval in the Annual General Meeting ("AGM").
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted	
<b>Explanation on adoption of the practice</b>	:	AC comprise exclusively the INED of Teo Seng.  Current AC composition as follows:	
		Choong Keen Shian	Chairman
		Dato' Koh Low @ Koh Kim Toon	Member
		Frederick Ng Yong Chiang	Member

## 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>	:	AC is expected to devote adequate time to update knowledge and latest developments through appropriate Continued Education Programmes organised internally and externally.  Mr. Frederick Ng Yong Chiang is one of the AC members who is a member of MIA, CIMA and CPA Australia and Asean Chartered Professional Accountants ('ACPA'). He has vast working experience in financial and entrepreneur roles in different field of businesses, and he is financial literate.  Mr. Choong Keen Shian and Dato' Koh Low @ Koh Kim Toon, both are in entrepreneurship with knowledge, experience and application in the different business field on banking and finance.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the responsibilities for the overall risk associated and internal control system within Teo Seng. The overall risks cover operational risks, financial risks, regulatory and compliance control.</p> <p>The review of Group's Risk Management and Internal Control is an on-going process designed to manage risk rather than to eliminate the risk of failure to achieve business objectives. This system is to provide reasonable and no absolute assurance against the material misstatement of information, fraud and losses.</p> <p>Term of Reference of Risk Management Committee is available at <a href="http://www.teoseng.com.my">www.teoseng.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

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>	:	The features and details, adequacy and effectiveness of Risk Management and Internal Control Framework is disclosed in the Statement of Risk Management and Internal Control ("SORMIC") on the page 44 to page 48 of the Annual Report 2019.	
<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 9.3 - 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 current RMC comprise the following Board of Directors:	
		Nam Hiok Joo Executive Director	Chairman
		Choong Keen Shian Independent non-executive Director	Committee
		Frederick Ng Yong Chiang Independent non-executive Director	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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Internal Auditor is independent from the business activities of Teo Seng and carried out the Group Internal Audit Function (“GIAF”) according to the Strategic Audit Plan 2018-2020 that was approved by the AC on 27 June 2018.</p> <p>AC reviewed and assessed the independence, competencies and integrity resources sufficiency of the Internal Auditor. The internal audit covers Poultry &amp; CPS Operation and Sales to Receipt, IT General Control, Hire to Retire, Feedmill Production Process during the financial year 2019.</p> <p>AC conducted periodic evaluation on the objectivity, audit recommendations to the audit findings and audit report during the financial year ended 31 December 2019.</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**

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>	:	Teo Seng has outsourced GIAF to a qualified audit firm, providing assurance to AC on the adequacy and integrity of the internal control system.  The GIAF is led by the experience Head of Internal Audit, whom is the Associate member of the Institute of Internal Auditor Malaysia.	
<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 acknowledges the importance of timely dissemination of (material) information and/or significant developments to the shareholders/stakeholders, (potential) investors or public at large with the disclosure requirement of Bursa Malaysia Listing Requirements ("LR").</p> <p>Teo Seng ensure proper channels of communication among the Group, the stakeholders and potential shareholders.</p> <p>The following communication channels have been in practised to the shareholders/stakeholders and public at large:</p> <ul style="list-style-type: none"><li>a. publication of Annual Report 2018;</li><li>b. announcement through Bursa Malaysia with quarterly financial results, changes in Board room and declaration of dividend which is in accordance to the LRs;</li><li>c. an updated Corporate Website at <a href="http://www.teoseng.com.my">www.teoseng.com.my</a> to disseminate information, announcements made and analysts' reports on Teo Seng</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**

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>	:	Not Applicable.	
		Teo Seng does not fall within the definition of ‘Large Companies’.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<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>	:	During the financial year ended 31 December 2019, Teo Seng had served its shareholders the Notice of 13 <sup>th</sup> AGM on 30 April 2019, which at least 28 days prior the Meeting held on 28 May 2019.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	All Directors, except Dato' Zainal Bin Hassan (due to the health reason) were present at the 13 <sup>th</sup> AGM in person to engage directly with the shareholders.  During the Q&A session, Mr. Lau Jui Peng, the Chairman of the Board invited shareholders to raise questions to the financial statements and other matters for adoption at the Meeting prior putting a Resolution to vote.  The Directors, Senior Management and External Auditor were in attendance to respond shareholders' queries.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<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 12.3**

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>	:	
<b>Explanation for departure</b>	:	<p>Teo Seng does not have large number of shareholders participation in the AGM.</p> <p>There were no AGMs being held at remote location and does not intend to hold at such location in future.</p> <p>Shareholder(s) appointed its proxy to attend the Meeting and vote on behalf. Voting of all Resolutions at the last 13th AGM was conducted by polling and carried out systematically, minutes were properly recorded.</p>
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

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

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

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