

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6432
COMPANY NAME : Apollo Food Holdings Berhad
FINANCIAL YEAR : April 30, 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.

Application	: Applied
Explanation on application of the practice	<p>The board is responsible for the governance of the Group's overall performance. In order to discharge its roles and responsibilities, the Group has set up and assigned certain duties to three Committees, namely Audit Committee, Nomination Committee, and Remuneration Committee, in ensuring the board's obligations to its shareholders and other stakeholders are met.</p> <p>(a) The board, together with senior management, promotes good corporate governance culture within the company which reinforces ethical, prudent and professional behaviour.</p> <p>A formal Board Charter is set up to provide clear roles and responsibilities of the board, including the responsibilities that are delegated to each Committee or the management as well as membership and operation of the board.</p> <p>To reinforce ethical, prudent and professional behaviour of the Company, the board has set up the Code of Conducts and Ethics and Whistle-blowing policy on 28 March 2018 which can be found on the company's official website at www.apollofood.com.my.</p> <p>(b) The board ensure that the strategic plan of the Group supports long-term value creation.</p> <p>The board meets at least four times a year to review the Group's overall business strategies, business operations, and financial results. The Executive Chairman and Managing Directors will update the Independent Directors regularly on any changes of the Group's business strategies and business operations. The Independent Directors will voice out their concerns on the changes and a discussion will be held on it.</p>

	<p>(c) The board supervise and assess management performance to determine whether the business is being properly managed.</p> <p>Remuneration Committee performs annual assessment on the performance of Executive Directors and senior management to ensure they are awarded appropriately for their contribution to the Group's growth. The Remuneration Committee will assess the completion of job responsibilities of the Executive Directors and senior management to ensure the Group is managed properly.</p> <p>(d) The board ensure there is a sound framework of internal controls and risk management.</p> <p>Audit Committee assist the board in reviewing and ensuring appropriate internal controls and risk management are well function within the Group's operation. Any weaknesses on the internal controls and risk management will be highlighted by the internal audit function which is overseen by the Audit Committee.</p> <p>Kindly refer to the Annual Report - Statement on Risk Management and Internal Control for further details.</p> <p>(e) The board ensure there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risk.</p> <p>Risk Management Committee has been set up under the supervision of the Executive Chairman in identifying, evaluating, and managing the risks. The board has delegated the review role of risks management to Audit Committee to ensure the risk management framework is functioning well within the organization.</p> <p>During the financial year, the Risk Management Committee conducted a review and assessment exercise whereby existing significant financial and non-financial risks are reviewed with emerging risks identified assessed. The risks identified are then incorporated into the Risk Sheets for on-going risk monitoring and assessment.</p> <p>(f) The board ensure senior management has appropriate skills and experiences and there are measures in place to provide for orderly succession of board and senior management.</p> <p>Nomination Committee is responsible in recruiting and ensuring senior management owns necessary skills and experiences in performing their daily job activities. In order to discharge its responsibility on succession planning, the Nomination Committee is responsible in seeking and identifying new candidates equipped with relevant skills and experiences to the board.</p>
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	<p>(g) The board ensure effective communication with stakeholders is in place.</p> <p>Announcements, quarterly and annual reporting are released on time to the public as per listing requirements of Bursa Malaysia. The stakeholders can obtain the information via Bursa website on www.bursamalaysia.com or company's official website at www.apollofood.com.my.</p> <p>The board also ensure effective communication with stakeholders is in place whereby stakeholders are given chances to raise questions to the board during its annual general meeting. Upon request, the Managing Director will meet up with institutional investors, press and investment analysts to provide them a better understanding of the Group's operation.</p> <p>(h) The board ensure the integrity of the Group's financial and non-financial reporting.</p> <p>The Audit Committee assists the board in reviewing financial reporting such as quarterly and annual financial results and non-financial reporting such as disclosures and statements included in the annual report to ensure the Group is in compliance with relevant accounting standards and listing requirements of Bursa Malaysia.</p> <p>Audit Committee meet at least four times a year and held discussions with both external and internal auditors to ensure the integrity of the Group's financial and non-financial reporting is in place.</p>
<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>	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman is elected by the board members and has considerable experience in the Group's business.</p> <p>The responsibilities of the Chairman include:</p> <ul style="list-style-type: none"> • Providing leadership for the board so that the board can perform its responsibilities effectively; • Setting the board agenda and ensuring that board members receive complete and accurate information in a timely manner; • Leading board meetings and discussions; • Encouraging active participation and allowing dissenting views to be freely expressed; • Managing the interface between board and management; • Leading the board in establishing and monitoring good corporate governance practices in the Company; and • Ensure stakeholders' views are communicated effectively to the board as a whole.
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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The positions of the Chairman and Managing Directors (acting as CEO) are held by different individuals in order to promote accountability of board's discussion and decision making.</p> <p>The Chairman is held by Mr. Liang Chiang Heng while the CEO is held by Mr. Liang Kim Poh.</p> <p>Chairman is responsible to lead the Board in its collective oversight of management whilst the Managing Director is primarily responsible in implementing the Board's decisions and oversees the Group's business and day-to-day management.</p>	
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 1.4

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The board is supported by external Company Secretaries who are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The role and responsibilities of the Company Secretary include:</p> <ul style="list-style-type: none"> • Manage, attend, and record minutes of all board and committee meetings; • Prepare meeting agendas and facilitate board communications; • Advise the board on its roles and responsibilities; • Advise the board on corporate disclosures and compliance with company and securities regulation and listing requirements; • Manage processes pertaining to the annual shareholder meeting; and • Monitor corporate governance developments and assist the board in applying governance practices <p>All Directors have access to the advice and services of the Company Secretaries in carrying out their duties.</p>
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 1.5

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>Notices, agenda, board papers, and other meeting materials of each meeting are issued at least five business days prior to the meetings so that Directors have sufficient time to go through all meeting materials.</p> <p>Upon conclusion of the meeting, the minutes are prepared by the Company Secretaries and distributed to all Directors in a timely manner and tabled for review in the next meeting.</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The board has a Board Charter which sets out the role and responsibilities of the Board, including the responsibilities that are delegated to committees of the Board or the management as well as membership and operation of the Board.</p> <p>The Board Charter is reviewed periodically and revised whenever there are changes in the needs of the Company or applicable laws, rules, and regulations in Malaysia.</p> <p>The Board Charter is available on the company's official website at www.apollofood.com.my</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 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.

Application	:	Applied
Explanation on application of the practice	:	<p>A Code of Conduct and Ethics is to articulate acceptable practices and to guide the behaviour of directors, management and employees of the Group when deal in situations that involve compliance with laws, rules and regulation, conflict of interest, anti-corruption, confidentiality, insider trading, and improper use of company's assets.</p> <p>The Code of Conduct and Ethics is formulated based on three principles – Integrity, Accountability, and Duty to Act in the Public Interest and Best Practice of the Company.</p> <p>The Code of Conduct and Ethics is available on the company's official website at www.apollofood.com.my</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 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.

Application	:	Applied
Explanation on application of the practice	:	<p>Whistleblowing policy is set up to provide an avenue for employees or non-employees (including suppliers, customers, shareholders, and other stakeholders) to report genuine concerns in relation to misconducts or criminal offences in the workplace.</p> <p>The identity of the whistleblower is protected and the board will treat all the disclosures in confidential and ensure that there will be no reprisal or disciplinary actions taken on the whistleblower. Any discovery or suspected of misconducts or inappropriate practices can be reported via lch@apollofood.com.my</p> <p>This policy is overseen by Audit Committee and is available for reference on the company's official website at www.apollofood.com.my</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.

Application	:	Applied	
Explanation on application of the practice	:	As at 30 April 2019, the board consists of five members – two Executive Directors and three Independent Non-executive Directors. In overall, 60% of the board comprises independent directors.	
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.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>One Independent Non-executive Directors - Datin Paduka Hj. Aminah Binti Hashim has served on the board for more than 9 years as at 30 April 2019.</p> <p>The board will seek annual shareholders' approval in the forthcoming general meeting for her retention.</p> <p>The Board is in the opinion that her length of services does not interfere with her exercise of independent judgement and in discharging her roles as independent directors.</p> <p>Each of the Directors is free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the interest of the Group.</p>
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

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is responsible for the identification and making of recommendations on any nomination of senior management and new Directors to the board.</p> <p>New member of the board and senior management are selected for, among other things, their integrity, independence, diversity in terms of age, gender, ethnicity and experience, leadership and the ability to exercise sound judgment relevant to the Company's business.</p> <p>For the appointment of new Directors and senior management, all nominees are first considered by the Nomination Committee, before making recommendation to the Board via below primarily five stages:</p> <ol style="list-style-type: none"> 1. Identification of candidates 2. Evaluation of suitability of candidates base on the selection criteria 3. Meeting up with candidates 4. Final deliberation by nomination committee 5. Recommendation to the Board <p>They ensure the new individuals possess appropriate experience and knowledge to fulfil the duties of Director and senior management.</p>
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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The board recognises the importance of a gender diverse board as a gender diverse board can offer greater benefits, depth and breadth to the Group’s business strategies than a gender non-diverse board.</p> <p>A gender diversity policy has been set up and reviewed on 28 March 2018 as per publish in the company’s annual report.</p> <p>As at 30 April 2019, there are two female directors sit on the board. It means that 40% of the board is served by women directors.</p>
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

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board consists of major independent directors who are competent and professionals in their respective fields. The Board will prioritise candidates recommended by existing board members or major shareholders before the use of independent sources.</p> <p>Unless there are no qualified candidates recommended by the existing board members or major shareholders, the Board will utilise independent sources to identify suitably qualified candidates.</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.

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee is chaired by an Independent Non-Executive Director – Ms Foo Swee Eng.	
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 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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee is responsible in undertaking a formal and objective annual evaluation to assess the performance, skills and experiences of board members during the financial year.</p> <p>Self assessment and peer review are carried out and facilitated by Company Secretary during the annual evaluation.</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee reviews and makes recommendations to the Board on the remuneration and other entitlements of the Executive Directors and senior managements to ensure they are rewarded appropriately for their contribution to the Group's growth and profitability. Remuneration of Non-Executive Directors is linked to their level of responsibilities.</p> <p>The Executive Directors play no part in the deliberations and decisions on their remuneration while the Non-Executive Directors abstain from deliberations and voting on decisions in respect of his/her remuneration.</p> <p>The policy is made available on the company's official website at www.apollofood.com.my</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 6.2

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee members are appointed by the board and the members must be Non-executive Directors with a majority of them being Independent Directors.</p> <p>The Committee has abided with its written Terms of Reference, including the duties and responsibilities as below:</p> <ul style="list-style-type: none">• To review and make recommendations to the Board on remuneration and other entitlements for all Directors and senior management.• To ensure remuneration of Non-Executive Directors is linked to their level of experiences and responsibilities. <p>The written Terms of Reference is made available on the company's official website at www.apollofood.com.my</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

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.

Application	:	Applied	
Explanation on application of the practice	:	The remuneration breakdown of individual directors on named basis is disclosed in the Group's annual report for financial year ended 30 April 2019.	
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.

Application	:	Applied	
Explanation on application of the practice	:	<p>There are three key management personnel of the Group – Mr. Liang Kim Tee, Mr. Liang Thong Guan and Ms. Tan Sew Eng.</p> <p>Their remunerations are disclosed in bands of RM50,000 in the annual report for financial year ended 30 April 2019.</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

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.

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.

Application	:	Applied
Explanation on application of the practice	:	To withhold the credibility and independency of Audit Committee, the Chairman of the Audit Committee must be an independent director and he/she is not allowed to become the Chairman of the board. Ms Foo Swee Eng is the Chairman of the Audit Committee while Mr. Liang Chiang Heng is the Chairman of 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

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.

Application	:	Applied
Explanation on application of the practice	:	The Board has included this practice into Audit Committee’s written Terms of Reference to avoid potential threats and significant influence exert over the audit and preparation of the company’s financial statement from former key audit partner.
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 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year, the Audit Committee performs below procedures in assessing the suitability, objectivity and independence of the external auditors:</p> <ul style="list-style-type: none">• The Audit Committee reviews the external auditor's audit planning memorandum which includes the audit engagement and reporting responsibilities, audit approaches, audit key matters, audit deliverable timelines and proposed statutory audit fee of each financial year.• The Audit Committee holds discussions with external auditors without the presence of management.• External auditors have declared their independence to the Audit Committee.• Annual evaluation and assessment is performed by the Audit Committee on the audit quality, suitability, objectivity and independence of external auditors.• Re-appointment of external auditor for next financial year will only be approved if the Audit Committee is satisfied with the performance, objectivity, and independent of external auditors.
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.

Application	:	Adopted
Explanation on adoption of the practice	:	All the 3 members of the Audit Committee are 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	:	Audit Committee members are financially literate and able to raise questions to ascertain whether the financial statements are consistent with operational and other known information during Audit Committee meeting. Audit Committee members have also attended seminars to upgrade themselves on recent changes in the accounting standards and listing requirements of Bursa Malaysia as per disclosed in annual report for financial year ended 30 April 2019.
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 affirms its overall responsibility for maintaining a sound risk management and internal control system which include the risk assessment as well as financial, operational, environmental, and compliance controls.</p> <p>The board delegates the duty of identification, assessment and management of key business risks to the Executive Chairman and its review role to the Audit Committee in order to provide assurance to the board on the adequacy and effectiveness of the Group’s risk management and internal control system. Risk Management Committee is set up under the supervision of Executive Chairman to manage key business risks faced by the Group adequately.</p>
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

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	:	<p>Risk Management Committee is set up under the supervision of Executive Chairman to manage the Group's key business risks. The responsibility for the identification, evaluation and management of the key business risks is delegated to the Executive Chairman and executed by the Risk Management Committee led by Technical Director.</p> <p>Risk assessments are guided by the likelihood rating and impact rating based on the risk tolerance and risk appetite stated in the Risk Management Policy. Risk sheets, which consist of relevant key risks identified rated based on the agreed upon risk rating, are compiled by the Risk Management Committee and reviewed by the Executive Chairman.</p> <p>Respective risk owners are responsible in assessing operational and emerging risks and to formulate effective controls to manage the risks. Critical and materials risks are highlighted to the Executive Chairman for final decision on the formulation and implementation of internal controls. Changes in the key business risks or emergence of new key business risks are highlighted to the board for deliberation and decision making.</p> <p>The monitoring of the risk management is further enhanced by the internal audits function based on approved internal audit plan under the instruction of Audit Committee.</p> <p>Kindly refer to the annual report - Statement of Risk Management and Internal Control for further details on risk management and internal control.</p>
Explanation for departure	:	

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

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	:	Not Adopted
Explanation on adoption of the practice	:	

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 internal audit function is outsourced to an independent professional firm, NeedsBridge Advisory Sdn Bhd, to provide assurance on the adequacy and effectiveness of the Group's risk management and internal control system.</p> <p>The outsourced internal audit function is reporting to the Audit Committee directly. Any proposed internal audit plan and proposed internal audit fees are subject to the review and approval of the Audit Committee.</p> <p>Internal audit reports which include the internal audit findings and recommendations are presented and discussed during the Audit Committee meeting. Update on the status of action plans is followed up and highlighted to the Audit Committee subsequently.</p> <p>To ensure the independency of the internal audit function, internal auditors are not allowed to act on behalf of the management in deciding and implementing management action plans. Audit Committee will assess the objectivity and independency of the internal audit function annually to ensure the function is able to operate effectively.</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 internal audit function is outsourced to an independent professional firm, NeedsBridge Advisory Sdn Bhd, to provide assurance on the adequacy and effectiveness of the Group’s risk management and internal control system. The internal audit function is free from any relationships or conflict of interest which could impair their objectivity and independence.</p> <p>The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.</p> <p>The engagement director of the outsourced internal audit function is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The outsourced internal audit function consists of one engagement director, three managers/assistant manager, and five senior consultants/consultants.</p> <p>The above information has included in the Annual Report - Statement on Risk Management and Internal Control for the financial year ended 30 April 2019.</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>Announcements, quarterly and annual financial reports can be accessed via Bursa Malaysia's website at www.bursamalaysia.com and company's official website at www.apollofood.com.my.</p> <p>The board recognises the importance of disseminating information that is material for shareholders. As such, the board strives to release the Group's quarterly and annual financial results within two months after the end of each financial quarter and four months after the end of each financial year timely.</p> <p>The board also provides question and answer session in its annual general meeting as one of the platforms for shareholders to voice up their concerns on the Company's operating environment. Upon request, the Directors will meet up with the investors and investment analysts for further discussion and clarification.</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	:	The Company is not under the category of Large Company as defined in MCCG 2017.	
<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	:	<p>The notice of 24th annual general meeting is released on 30 Aug 2018, which is more than 28 days prior to the meeting on 30 October 2018.</p> <p>Moreover, the notice for the forthcoming AGM to be held on 30 October 2019, will be given to the shareholders on 29 August 2019, which is more than 28 days prior to the meeting.</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

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	:	Based on past practices, all directors (except absence due to emergency matter), external auditors, and key management personnel had attended the annual general meeting. The Chairman of the Audit, Nominating, and Remuneration Committee is responsive to the questions raised to him.	
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	:	<p>The Company neither have a large number of shareholders nor organize annual general meeting in remote locations.</p> <p>The general meeting is always held in the city centre of Johor Bahru.</p> <p>The Company allows proxy voting and drop-in email for questions if shareholders are unable to participate in the general meeting.</p> <p>Summary of key matters discussed at general meeting is able to view on the company's official website at www.apollofood.com.my.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

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