

CORPORATE GOVERNANCE REPORT

STOCK CODE : 9059
COMPANY NAME : TSH Resources Berhad
FINANCIAL YEAR : December 31, 2017

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	<table border="1"> <thead> <tr> <th data-bbox="555 929 836 996">Area of Focus</th> <th data-bbox="836 929 1385 996">Matters considered by the Board</th> </tr> </thead> <tbody> <tr> <td data-bbox="555 996 836 1563">Reviewing and adopting the Group's strategic plan</td> <td data-bbox="836 996 1385 1563">The Board is responsible for the Group's strategic plan with a view to maximizing shareholder value and promoting sustainability. This includes review, comment and provide final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves long term budget, business plan, corporate exercise proposal and annual budget for the ensuing year and monitors management's implementation of and performance with respect to that agreed strategic plan.</td> </tr> <tr> <td data-bbox="555 1563 836 1794">Overseeing the conduct of the Group's business</td> <td data-bbox="836 1563 1385 1794">The Board carries out periodic review of the achievements by the various operating divisions against their respective operational targets to determine whether these divisions are properly managed.</td> </tr> <tr> <td data-bbox="555 1794 836 2036">Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation</td> <td data-bbox="836 1794 1385 2036">The Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board through the Audit Committee reviews the effectiveness of the Enterprise Risk Management system within the Group</td> </tr> </tbody> </table>	Area of Focus	Matters considered by the Board	Reviewing and adopting the Group's strategic plan	The Board is responsible for the Group's strategic plan with a view to maximizing shareholder value and promoting sustainability. This includes review, comment and provide final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves long term budget, business plan, corporate exercise proposal and annual budget for the ensuing year and monitors management's implementation of and performance with respect to that agreed strategic plan.	Overseeing the conduct of the Group's business	The Board carries out periodic review of the achievements by the various operating divisions against their respective operational targets to determine whether these divisions are properly managed.	Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation	The Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board through the Audit Committee reviews the effectiveness of the Enterprise Risk Management system within the Group
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	<p>measures</p>	<p>and assures that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate Group policies.</p> <p>Audit Committee ensures that policy to identify and evaluate the Company and Group’s risks is implemented and that controls in place are adequate and functioning properly to address the risks. In that relation, the Chief Financial Officer is required to complete questionnaires so as to provide the Audit Committee with information on the risk and control environment of the Group.</p> <p>Details of the Group’s Enterprise Risk Management system are set out in the Statement on Risk Management and Internal Control of this Annual Report.</p>
	<p>Succession planning</p>	<p>The Board has entrusted the Nomination Committee with the responsibility for reviewing the Board’s succession plans, proposing new nominees to the Board and recommending Directors to fill the seats on the Board Committees.</p> <p>The Board continues with its role to review and monitor the appointment and dismissal of senior management of the Company while the Group Managing Director is responsible for the senior management succession plan. The senior management succession plan involves building a talent-rich organization by attracting and developing talented and skilled people who fit in the Company’s culture and business strategy as well as identifying successors for senior management positions. All newly appointed senior management are required to undergo a management training programme called “One Approach” before reporting to their assigned positions</p>

		with the purpose of providing them the right framework in executing their work.
	Overseeing the development and implementation of a shareholder communications policy	<p>TSH values dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, Frederick Tan Aik Yong has been appointed as the person responsible for communication with shareholders and other stakeholders of the Company.</p> <p>The Company has a Corporate Disclosure Policy and Procedures that outlines the policies and processes for communications with shareholders, analysts and investors to ensure that the communications are effective and comply with the applicable laws, rules and regulations.</p>
	Reviewing the adequacy and the integrity of the management information and internal controls system	The Board is responsible for the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control of the Annual Report.
	Strategies Promoting Sustainability	The Board places great importance on corporate responsibility and business sustainability. The Company's activities on environment, social and governance for the year under review are disclosed in the Annual Report.
Explanation for departure	:	N/A
<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 1.2

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>Datuk (Dr.) Kelvin Tan Aik Pen is the Chairman of the Board. He plays a pivotal role in instilling Company's commitment to uphold corporate governance.</p> <p>He oversees the orderly conduct and effectiveness of the Board by ensuring a cohesive working relationship between members of the Board. He is also responsible to ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis and encourage all Directors to play an active role in Board activities. He maintains a close professional relationship with the Group Managing Director and acts as mentor as required.</p> <p>Position description of the Chairman is set out in the TSH Corporate Governance Guidelines. These Guidelines will be periodically reviewed by the Board to align with the Company's objectives, current law and practices.</p> <p>Performance evaluation of the Chairman is conducted annually by the Nomination Committee. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board.</p>
Explanation for departure	:	N/A
<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 Chairman (Datuk (Dr.) Kelvin Tan Aik Pen), who is a Non-Executive Director and Group Managing Director (Dato' Tan Aik Sim) are individually held by two persons to ensure a balance of power and authority.</p> <p>There is a clear distinction between the roles and responsibilities of the Chairman and Group Managing Director which are set out in the TSH Corporate Governance Guidelines.</p>
Explanation for departure	:	N/A
<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

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 a qualified Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretary, Ms Chow Yeen Lee has 22 years' experience in corporate secretarial practice. Role and functions of the Company Secretary are set out in the TSH Corporate Governance Guidelines. The following are some of the key significant role of the Company Secretary:</p> <ul style="list-style-type: none">• assisting with induction and professional development of Directors;• regularly updating the Board on new changes to the statutory and regulatory requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities;• notifying Directors and principal officers on the closed periods for dealing in the Company's securities;• advising and supporting the Chairman and the Board and its Board Committees to manage the day to day governance framework of the Company;• facilitating timely communication of decisions made or policies set by the Board to Board Committees and senior management for action;• co-ordinating all Board and Board Committee meetings including agendas, board papers and communication with the stock exchange and other regulatory agencies as well as oversight on overall secretarial functions of TSH Group, both in Malaysia and the region where the Group operates; and• ensuring minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.

Explanation for departure	:	N/A	
<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

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>All Directors are provided with an agenda and a set of Board papers containing information relevant to the business of the meeting, including information on financial, operational and corporate matters prior to Board meetings. Members of the Committee are also provided with the meeting agenda and relevant papers submitted by management to enable full deliberation on the issues to be considered at the respective meetings. Minutes of the Board and Committees' meetings are circulated to all Board members.</p> <p>For each Board and Committee meeting, the meeting papers are, to the extent feasible, provided/made available 5 working days prior to each Board meeting so that Directors have sufficient time to read and understand the information and obtain further information, clarification or explanation, where necessary. Minutes of meetings are circulated to all Board members on a timely manner (within 10 working days).</p>
Explanation for departure	:	N/A
<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 adopted a Board Charter which serves as a source of reference and primary induction literature, providing insights to prospective Board members and senior management. The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter was reviewed and updated in February 2018 and details of the Board Charter are available for reference on TSH's website.</p>
Explanation for departure	:	N/A
<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>The Company has adopted a code of ethics which applies to Directors, officers and employees of the Group and is available on the Company's website.</p> <p>The Board of Directors of TSH continues to adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("Code of Ethics").</p> <p>The Board is ultimately responsible for the implementation of this Code of Ethics. The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. Directors who learn of or suspect that a violation of the Code of Ethics has occurred or is likely to occur must immediately report the violation to the Chairman of the Nomination Committee, or to any other member of the Nomination Committee. In the case of issues regarding the Company's financial statements, financial reporting, accounting, auditing matters or internal accounting controls, it will be reported to the Chairman of the Audit Committee. If a Director is unsure whether a violation should be reported to the Nomination or the Audit Committee, he or she is encouraged to report to both Committees. Directors who report violations or suspected violations in good faith will not be subject to retaliation of any kind. Reported violations will be treated confidentially to the extent possible.</p> <p>Alleged violations of the Code of Ethics shall be investigated by the Nomination Committee and may result in discipline and other action at the discretion of the Board upon recommendation of the Nomination Committee, including, where appropriate, removal from the Board. The Board is ultimately responsible for the investigation and resolution of all issues that may arise under this Code of Ethics.</p> <p>TSH Employee's Code of Ethics guides the employee's conduct in the workplace, business conduct when dealing with external parties, key issues such as conflict of interests, bribery, confidentiality and privacy</p>

	<p>as well as protection and proper use of TSH’s assets and resources. All employees are expected to observe and adhere to the highest standard of professional conduct and to maintain the Group’s reputation for integrity and professionalism.</p> <p>To tackle new challenges, TSH Employee’s Code of Ethics has been revised in March 2018 to include issues on anti-corruption, insider trading and money laundering.</p>	
Explanation for departure	:	N/A
<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

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>As part of best practices in good corporate governance, a Whistle-Blowing Policy has been established by the Board since February 2010 that outlines the principles underpinning the policy and grievance procedures. This policy provides an avenue for employees to report genuine concerns about malpractices, unethical behavior or misconduct within the Group without fear of reprisal. Identity of the employee will not be disclosed without prior consent. Any concerns raised will be investigated and outcome of such investigation will be reported to the Board and appropriate action will be taken to resolve the issue.</p> <p>Details of whistle-blowing channel are available on the Company's website at www.tsh.com.my.</p> <p>Details of Grievance procedures are set out in the TSH Corporate Governance Guidelines.</p>
Explanation for departure	:	N/A
<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	:	Departure
Explanation on application of the practice	:	N/A
Explanation for departure	:	Even though the numbers of Independent Directors of the Company do not meet the Code recommendation, the Board formed the view that it is still able to exercise objective judgment on business and corporate affairs, independent from management because of active participation and engagement of the Independent Directors during the Board and Board Committee meetings.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>The Board wishes to emphasise that its members which currently comprise of 4 Independent Non-Executive Directors and the Chairman, Datuk (Dr.) Kelvin Tan Aik Pen is a Non-Executive Director. Lim Fook Hin and Chew Siew Yeng, Non-Independent Non-Executive Directors do not have any family relationship with any other Director.</p> <p>Board discussions are always robust and constructive suggestions have been given by both Independent Non-Executive Directors and Non-Independent Non-Executive Directors.</p> <p>The Board plans to increase the number of independent directors on the Board so that in due course, the majority of the Board will be made up of Independent Directors.</p>
Timeframe	:	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 4.2

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>At the preceding Annual General Meeting ("AGM") held on 25 May 2017, the shareholders had approved the retention of Datuk Jaswant Singh Kler as an Independent Non-Executive Director.</p> <p>Considering the recommendation of the Code on the tenure of an independent director should not exceed a cumulative term of nine years, the Board holds the view that the ability of an independent director to exercise independent judgement is not affected by the length of his service as an independent director. The suitability and ability of independent director to carry out his roles and responsibilities effectively are very much a function of his caliber, experience and personal qualities. Restriction on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board.</p> <p>The Board is fully satisfied that Datuk Jaswant Singh Kler, who has served as an Independent Non-Executive Director for more than nine years, is still independent and continues to bring valuable business expertise, knowledge and professionalism to the Board for its efficient and effective functioning. He has actively participated in Board deliberations and provided objectivity in decision making. The Board is of the opinion that Datuk Jaswant Singh Kler continues to bring independent views of the Company's affairs to the Board notwithstanding his length of service. The Board believes that his in-depth knowledge of the Group's businesses and his extensive experience and expertise continue to provide invaluable contribution to the Board.</p> <p>The Board through its Nomination Committee will continue to carry out rigorous review to determine if Datuk Jaswant Singh Kler still remains independent and continues to exercise strong independent judgement and provide balance to the Board with his unbiased and independent views, advice and judgement in all Board deliberations based on the following key characteristics:</p>

	<ul style="list-style-type: none"> • possesses sufficient self-esteem and confidence to stand up for an independent point of view; • approaches any transaction that requires board's approval with a watchful eye and an inquiring mind (professional scepticism); • is unafraid to express an unpopular stance on issues or express disagreement on matters and actively pursues them with the rest of the board and with the management team; and • does not shy away from asking hard and uncomfortable questions during board deliberations and willing to delve deeper if the responses provided are not satisfactory. <p>Having said that, Datuk Jaswant Singh Kler who is due to retire at the forthcoming AGM, has expressed his intention not to seek re-election as Director. Thus, he will retain office until the conclusion of the forthcoming AGM. In that relation, the Company will not put forward the proposal to retain him as Independent Non-Executive Director at the forthcoming AGM.</p>
Explanation for departure	: N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	N/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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to ensuring diversity in its composition and embraces the proposition that having a diverse Board would have a positive, value-adding impact on the Company.</p> <p>While the Board acknowledges the importance of boardroom and senior management diversity, appointments to the Board and senior management positions shall always be based on objective criteria and merit, having due regard for diversity in business experience, skills, qualifications, integrity, age, gender, knowledge and other soft attributes which are the essential element in supporting the attainment of the Company’s objectives.</p> <p>The Company practices equal employment opportunities for all qualified individuals to create a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job.</p> <p>We reward and promote our people based on assessment of individual performance, capability and potential. We are committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.</p>
Explanation for departure	:	N/A
<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	:	Departure
Explanation on application of the practice	:	N/A
Explanation for departure	:	The Board does not have a specific policy on setting targets for women candidates and ethnicity as the Board believes that it is of utmost importance that the Company has an effective composition of the Board to discharge their duties effectively in the best interest of the Company and shareholders. The Board believes that while it is important to promote gender diversity, it should not set a target just to fill the required vacancy for gender diversity as the over-riding criteria for selection should be based on an effective blend of competencies, skills, experience and knowledge in areas identified by the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	As and when vacancy arises, gender diversity will be a key criteria in our selection consideration.
Timeframe	:	To meet the 30% women directors on the Board as soon as practicable, subject to criteria as stated in the explanation above.

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	:	Departure
Explanation on application of the practice	:	N/A
Explanation for departure	:	Currently the selection of candidates to be considered for appointment as Executive Directors is facilitated through recommendations from the Group Managing Director as Executive Directors are essentially key member of the Group Managing Director's management team. Nonetheless, a comprehensive and independent assessment of the candidate will be conducted by the Nomination Committee without any influence from the major controlling shareholders, Group Managing Director or Executive Directors. The Nomination Committee will continue to evaluate and match the criteria of future potential nominees to the Board as Non-Executive Directors taking into consideration boardroom diversity.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will include independent sources as well as women directors' registry to identify suitably qualified candidates if any vacancy arises in future.
Timeframe	:	When vacancy arises.

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	:	<p>The Chair of the Nomination Committee is held by a Senior Independent Director.</p> <p>The Board has established a Nomination Committee on 26 June 2001 and currently comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. Terms of reference of the Nomination Committee are set out in the TSH Corporate Governance Guidelines.</p>	
Explanation for departure	:	N/A	
<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 effectiveness of the board is vital to the success of the Group and Company undertakes a formal evaluation each year in order to assess the effectiveness of the Board and Audit Committee.</p> <p>During the financial year 2017, an annual assessment of the effectiveness of the board as a whole, individual directors, Board Committees, the Audit Committee and independence of its independent directors were conducted. The assessment is led by the Nomination Committee's Chairman and supported by the Company Secretary. The annual assessment is considered by the Nomination Committee, which then make recommendation to the Board to discharge its duties and responsibilities.</p> <p>The assessment of the Board is based on five main areas relating to Board composition and competencies, Board succession, Board meeting organisation and effectiveness, Board Chairman's roles and responsibilities and Board effectiveness. Amongst the most important criteria for evaluating board performances are:</p> <ul style="list-style-type: none">• individual Board member's understanding of the Company's mission and strategic plan;• Board members' understanding and knowledge of the Company's business;• time commitment in deliberation and meaningful participation in the Board meetings; and• Board meetings are conducted in a manner that allows for open and constructive communication, encourages focused discussions, critical questioning and the expression of various viewpoints and timely resolution of issues related to the Board meetings. <p>The assessment criteria for Board Committees includes the Board Committees' structure and composition, roles and responsibilities, meetings and communication as well as the collective skills and</p>

expertise of the Committee members.

For individual Director's evaluation, the assessment criteria include abilities and competencies, calibre and personality, objectivity and contribution to the activities of the Board and Board Committees.

Each member of the Nomination Committee receives the Board performance evaluation questionnaires and separate Committee performance evaluation forms. The assessment of the Nomination Committee's performance shall be carried out by individual members of the Nomination Committee. All Board members are required to assess their own performance by completing the Director's performance evaluation form.

The Company Secretary shall compile the results for submission to the Nomination Committee for review and assessment. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented and kept confidential.

The performance of those Directors who are subject to re-election at the forthcoming AGM are assessed by the Nomination Committee whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-election of the Directors concerned for shareholders' approval. In accordance with the Company's Articles of Association, all Directors shall retire from office once at least in each three years, but shall be eligible for re-election. A Director seeking re-election will abstain from all deliberations regarding his re-election to the Board.

During 2017, the Nomination Committee reviewed the required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and was of the view that current composition of Non-Executive Directors reflects a good mix of Directors with diverse professional backgrounds and a wide range of experiences in business, finance and general management that contributes effectively in leading and directing the management and affairs of the Group.

The Nomination Committee also evaluated the effectiveness of the Board as a whole, the various Committees and assessing the contribution of each individual Director. Good and effective communications were established among Board members and Board Committee members on official and unofficial basis and major policies and corporate proposals are vigorously debated and scrutinised before putting to a vote. All members of the Board and the Committees have been diligent and exercised due reasonable care in discharging their duties and responsibilities. All Directors are firmly committed to ensure that the corporate governance standards are adhered to.

An assessment of independence of the Independent Directors was conducted whereby the Nomination Committee reviewed and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

The Nomination Committee also reviewed and made recommendations to the Board of the following:

- (1) retention of Datuk Jaswant Singh Kler as Independent Non-Executive Director (the proposal was subsequently withdrawn as Datuk Jaswant Singh Kler has expressed his intention to retire at the conclusion of the forthcoming AGM);
- (2) re-election of the retiring Directors at the forthcoming AGM for shareholders' approval; and
- (3) assessed directors' training needs to ensure all Directors receive appropriate continuous training programmes in order to keep abreast with the latest development in the market place and with changes in the statutory and regulatory requirements. The following are the various seminars, briefing, talk, dialogue and/or workshop attended by all Directors in 2017 either collectively or individually:

<i>Title of training</i>	<i>Type of training</i>	<i>No. of days/hours spent</i>
• Tax briefing on 2018 Malaysian Budget	Briefing	½ day
• Improving Annual Report Disclosure Standards – What's Next?	Seminar	1 day
• National Seminar 2017 (Natsem 2017)	Seminar	2 days
• Is Diversity Required in the Boardroom?	Seminar	1 day
• Understanding the Changes Made to the Companies Act 2016	Seminar	1 day
• CG Breakfast Series: Integrating an Innovation Mindset with Effective Governance	Talk	½ day
• Independent Directors' Programme – The Essence of Independence	Seminar	1 day
• CG Breakfast Series for Directors: Leading Change @ The Brain	Talk	½ day

	<ul style="list-style-type: none"> • MFRS 9 – Financial Instruments 	Talk	2 hours
	<ul style="list-style-type: none"> • MFRS 1 – First Time Adoption of MFRS Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) & MFRS 15 – Revenue from Contracts with Customers 	Talk	2 hours
	<ul style="list-style-type: none"> • Sabah Forestry Department – Session with FMU: Forest The New Economy (FNE) 	Dialogue	1 day
	<ul style="list-style-type: none"> • MSCI Briefing by Bursa Malaysia and Maybank Investment Bank Bhd 	Briefing	3.5 hours
	<ul style="list-style-type: none"> • UOBM Global Markets’ Corporate Seminar 	Seminar	½ day
	<ul style="list-style-type: none"> • Bursa Fraud Risk Management Workshop 	Workshop	½ day
	<ul style="list-style-type: none"> • AML/CFT Training 	Seminar	1 day
	<ul style="list-style-type: none"> • New Thinking of Shariah Governance: “Facilitation of Shariah Assurance and Beyond 	Seminar	1 day
	<ul style="list-style-type: none"> • Malaysian Code on Corporate Governance: Dealing with issues and expectations on Audit Committee, Risk Management and Stakeholder Management 	Briefing	½ day
The Board will consider appointment of independent experts for Board evaluations.			
Explanation for departure	:	N/A	
<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 assists the Board in determining a remuneration framework or broad policy for Executive Directors and senior management staff at director level. The Remuneration Committee may obtain professional advice and any other information necessary in determining the remuneration framework.</p> <p>The Board as a whole determines the remuneration package of Non-Executive Directors including Non-Executive Chairman, taking into consideration of fee levels and trends for similar positions in the market, time commitment required from the Director as well as any additional responsibilities undertaken by such Director. The Non-Executive Directors should abstain from discussing their own remuneration.</p> <p>Decisions on remuneration for senior management are made through a transparent and independent process taking into consideration of market practices, demand for personnel with specific qualification, experience and evaluation of their performance.</p> <p>Remuneration Policy will be made available on the Company's website at www.tsh.com.my by 2018.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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 annually reviews the remuneration package of Directors and senior management at director level taking into consideration their level of responsibilities and performance. Remuneration of Executive Directors is also linked to the financial performance of the Group.</p> <p>The Board as a whole shall determine and recommend the remuneration of the Non-Executive Directors for shareholders' approval at the AGM.</p> <p>The Non-Executive Directors are remunerated through monthly fixed fees, Board Committee allowance, monthly allowance, business travelling allowance, petrol allowance and other benefits-in-kind, including company car and driver as well as other emoluments.</p> <p>The Section 230(1) of the Companies Act 2016 stipulates among others that the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. As agreed by the Board, the shareholders' approval shall be sought at the forthcoming AGM on the Non-Executive Directors' remuneration through two (2) separate resolutions as follows:</p> <ul style="list-style-type: none">(i) Ordinary Resolution 2 on payment of Non-Executive Directors' fees and benefits of RM2,168,475 for the financial year ended 31 December 2017; and(ii) Ordinary Resolution 3 on the payment of Directors' benefits (excluding Directors' fees) of up to an aggregate amount of RM1,610,000.00 from 1 January 2018 until the next AGM of the Company in 2019. <p>The Group Managing Director will be guided by the Remuneration</p>

	<p>Committee in determining remuneration packages for senior management which is based on performance during the year measured against individual Key Performance Indicators (KPIs) in a scorecard aligned with the corporate objectives.</p> <p>The Remuneration Committee's terms of reference is available on the Company's website at www.tsh.com.my.</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

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 received by each of the Directors in 2017 is set out in the tables below:-				
		Total per annum for the financial year ended 31 December 2017				
		Company				
		Fees RM'000	Salaries & Bonus RM'000	Allowance RM'000	Other emoluments RM'000	Benefits-in- kind RM'000
		Executive Directors				
		-	3,030	-	364	21
		-	1,674	-	201	21
		-	920	-	110	42
		Non-Executive Directors				
		-	-	-	1,120	137
		36	-	13	-	-
		36	-	13	-	-
		36	-	1	-	-
		36	-	12	-	-
		36	-	-	168	-
		-	-	-	344	38
		180	5,624	39	2,307	259

		Total per annum for the financial year ended 31 December 2017				
		Group				
		Fees RM'000	Salaries & Bonus RM'000	Allowance RM'000	Other emoluments RM'000	Benefits-in- kind RM'000
Executive Directors						
	Tan Aik Sim	-	3,100	-	373	206
	Tan Aik Kiong	-	1,674	-	201	21
	Tan Aik Yong	-	920	-	110	42
Non-Executive Directors						
	Datuk (Dr.) Kelvin Tan Aik Pen	-	76	-	1,120	137
	Datuk Jaswant Singh Kler	36	-	13	-	-
	Dato' Jasmy bin Ismail	36	-	13	-	-
	Selina binti Yeop Junior @ Lope	51	-	1	-	-
	Yap Boon Teck	51	-	17	-	-
	Chew Siew Yeng	36	-	-	258	-
	Lim Fook Hin	18	-	-	344	38
	TOTAL	228	5,770	44	2,406	444
Explanation for departure	: N/A					
<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	:	Departure
Explanation on application of the practice	:	N/A
Explanation for departure	:	<p>Remuneration of 3 senior management who are also Executive Directors have already been disclosed on named basis. However, the Board is of the view that disclosure of remuneration of other senior management staff on named basis will be detrimental to the Company's business interests, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching has become common practice. Hence, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.</p> <p>The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top 5 senior management personnel who are not Directors.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	That none of the top 5 senior management who are not Directors, is in any way related to the Directors and it is the Company's policy that remuneration of any person related to the Board member will be determined by Independent Directors.
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	:	N/A

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	:	<p>The Chairman of the Audit Committee is a Senior Independent Director, who is not the Chairman of the Board.</p> <p>Members of the Audit Committee, including the Chairman were appointed by the Board based on the recommendation of the Nomination Committee. Under the terms of reference of the Audit Committee which are set out in the TSH Corporate Governance Guidelines, the Chairman must be an Independent Director. No Alternate Director is allowed to be appointed as a member of the Audit Committee.</p> <p>Composition of the Committee may be reshuffled by the Board on the recommendation of the Nomination Committee, as and when required.</p> <p>The terms of reference of the Audit Committee will be periodically reviewed and updated. The last review was on 27 February 2018 and the revised terms of reference is made available on the Company's website at www.tsh.com.my.</p>
Explanation for departure	:	N/A
<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

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	:	<p>Since the Company’s inception, it has never appointed any former key audit partner as its Audit Committee member.</p> <p>In line with best corporate governance practice, the Audit Committee’s terms of reference have been updated in February 2018 to include a policy requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.</p>	
Explanation for departure	:	N/A	
<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>Based on the policies and procedures established, the Audit Committee is responsible to review the performance of the external auditors on an annual basis based on the following four (4) key areas after completion of the year-end audit:</p> <ul style="list-style-type: none">i) quality of service;ii) sufficiency of resources;iii) communication with management; andiv) independence, objectivity and professionalism <p>The Audit Committee may request the Group Managing Director and/or Chief Financial Officer to join the assessment.</p> <p>The Audit Committee is also responsible to review all the non-audit services provided by the external auditors and the aggregate amount of fees paid to them based on the policy and procedures on provision of non-audit services established by the Board. In respect of recurrent non-audit services such as reviewing the Statement of Internal Control, the threshold for the annual total expenditure will be set in advance by the Audit Committee. Any fees for recurring services in excess of the threshold set must be approved by the Audit Committee in advance of the expenditure being incurred. Approval for any other permitted non-recurrent non-audit services has to be sought from the Audit Committee on a case by case basis. All requests for such services must include a detailed description of the services to be rendered and an outline of the maximum fee. This policy is regularly reviewed and states that the Company will only use the appointed external auditors for non-audit services in cases where these services do not conflict with the auditor's independence.</p> <p>The Audit Committee accepts that certain work of a non-audit nature is best undertaken by the external auditors and appointments are made taking into consideration of their expertise and cost.</p> <p>Two (2) written confirmations of independence have been provided by the external auditors to the Audit Committee before the commencement of and after the completion of the year-end audit for 2017 that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all</p>

	<p>relevant professional and regulatory requirements.</p> <p>The Audit Committee had in April 2018 evaluated the performance of the external auditors based on the 4 key areas as mentioned above and feedback obtained from management who had substantial contact with the external audit team throughout the year. The Audit Committee also took into consideration the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings which demonstrated their independence, objectivity and professionalism. Further information on the Audit Committee's activities is disclosed in the Annual Report 2017 under Audit Committee report.</p> <p>The Audit Committee was satisfied with the suitability of the external auditors based on the quality of services and sufficiency of resources they provided to the Group. The Audit Committee was also satisfied that the provision of the non-audit services was not in conflict with the role of the external auditors or their independence and the amount of fees paid for these services was not significant when compared to the total fees paid to the external auditors. Details of fees paid or payable to the external auditors for audit and non-audit services performed during the year are set out in the Additional Compliance Information of the Annual Report 2017.</p> <p>The Audit Committee concluded that the relevant independence of Messrs BDO continued to be met. Accordingly, the Audit Committee unanimously recommended to the Board that a resolution for the re-appointment of Messrs BDO as the Company's auditors be proposed to shareholders for approval at the forthcoming AGM and the Board has accepted and endorsed this recommendation.</p>
<p>Explanation for departure</p>	<p>: N/A</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>:</p>
<p>Timeframe</p>	<p>:</p>

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	:	As at the date of this report, the Audit Committee comprises three members, all of whom are Independent Non-Executive 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	: <p>All Audit Committee members possess a wide range of necessary skills, financially literate and able to read, analyse, interpret and understand financial statements to discharge their duties effectively.</p> <p>All members of the Audit Committee have the necessary financial, banking experience and commercial expertise and skills required to meet their responsibilities and provide an effective level of challenge to management.</p> <p>To ensure the Audit Committee is able to discharge its duties and responsibilities according to its terms of reference, the Nomination Committee has been assigned to conduct a comprehensive assessment of the effectiveness and contribution of each Audit Committee members on an annual basis and the findings/recommendations are reported to the Board for decision.</p> <p>All Audit Committee members are encourage to continuously update or enhance their knowledge of relevant accounting, auditing, industry and other regulatory requirements so as to keep abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties.</p> <p>During the year, all members of the Audit Committee attended the following briefing, seminar and talk either individually or collectively:</p> <ul style="list-style-type: none">• Improving Annual Report Disclosure Standards – What's Next?• National Seminar 2017 (Natsem 2017)• Is Diversity Required in the Boardroom?• Understanding the Changes Made to the Companies Act 2016• CG Breakfast Series for Directors: Leading Change @ The Brain• Independent Directors' Programme-The Essence of Independence• CG Breakfast Series: Integrating an Innovation Mindset with

	<p>Effective Governance</p> <ul style="list-style-type: none"> • MFRS 9 – Financial Instruments • MFRS 1 – First Time Adoption of MFRS Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) & MFRS 15 – Revenue from Contracts with Customers • AML/CFT Training • New Thinking of Shariah Governance: “Facilitation of Shariah Assurance and Beyond • Malaysian Code on Corporate Governance: Dealing with issues and expectations on Audit Committee, Risk Management and Stakeholder Management
Explanation for departure	: N/A
<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	:	<ul style="list-style-type: none"> • Enterprise Risk Management Framework has been established • Board of Directors retains overall risk management responsibility • Board of Directors performs risk oversight and delegate day to day decisions to Group Managing Director/Senior Management • Internal controls are being reviewed by the Board of Directors through the Audit Committee of which the Internal Audit directly reports to • Presence of Control Environment with structure, reporting lines, authorities and responsibilities • Controls activities are selected, developed and deployed through policies and procedures • Internal Audit reports directly to Audit Committee
Explanation for departure	:	N/A
<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	:	<ul style="list-style-type: none"> • Risk management policy and procedures were duly approved and adopted • Clearly documented Standard Operating Procedures (“SOPs”) on key aspects and processes are in place • Formal organization structure to govern its operations and its day to day management is in place • Internal control system of check and balance and documented authority limit has been established. These are also audited and tested by internal audit department for any departure. • The establishment and maintenance of Group Internal Audit function to assist in providing assurance on the adequacy of its internal control system • The Group Internal Audit function reports directly to the Audit Committee through the presentation of audit report on a quarterly basis • Internal Audit conducts subsequent follow up review to ensure Management has undertaken corrective and preventive measures accordingly • Controls are evaluated and reported with deficiencies highlighted • SOPs are subject to review to cater for changes in risk and processes.
Explanation for departure	:	N/A

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 Company has established an internal audit function which reports directly to the Audit Committee. The internal audit department communicates regularly with the members of the Audit Committee and the Head of Internal Audit is invited to attend meetings of the Audit Committee. Internal audit activities, all of which are risk-based, are performed by a team of appropriate, qualified and experienced employees.</p> <p>The Audit Committee shall review any appraisal or assessment of the performance of members of the internal audit function. In evaluating the internal audit, the Audit Committee shall assess its effectiveness against agreed performance criteria such as:</p> <ul style="list-style-type: none">• the overall comprehensiveness of the internal audit plan and its relationship to the strategic objectives of the Company;• timely delivery of internal audit services in accordance with the plan; and• the competency of internal audit staff and adequacy of resources to achieve the scope as outlined in the plan. <p>The Internal Audit carries out its duties and responsibilities in accordance with the terms of reference set out in the TSH Corporate Governance Guidelines. To provide for the independence of the Internal Audit Department, its personnel report to the Head of Internal Audit, who reports directly to the Audit Committee. The Head of Internal Audit will have direct access to the Audit Committee and will take directly to the Chair of the Audit Committee, any matter that is believed to be of sufficient magnitude and importance to require immediate attention of the Audit Committee.</p> <p>To maintain its independence, the Internal Audit Department will have no direct operational responsibility or authority over any of the activities under scope. Accordingly, it will not develop nor install systems or procedures, prepare records or engage in any other activity that would normally be audited.</p> <p>Performance appraisal of the internal audit members was conducted by the Head of Internal Audit and reviewed by the Audit Committee in 2017. The Audit Committee has also reviewed the performance</p>

	appraisal of the Head of Internal Audit and was generally satisfied with the performance of the internal audit function. Further information on the Internal Audit's activities is disclosed in the Annual Report 2017 under Audit Committee report.	
Explanation for departure	:	
	N/A	
<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 Company has received declarations from each of the internal audit personnel confirming that they are free from any relationships or conflicts of interest. All the internal audit personnel are not related to any employees or have business relationships with the Group nor they have served in official capacity previously or provided significant services to the Group in the past.</p> <p>The Internal Audit is staffed by 4 audit executives, including the Head of Internal Audit. Most of the Internal Audit staff have professional accounting qualifications. The Head of Internal Audit, Mr Terence Ng Si Yik holds a professional accounting qualification from the Association of Chartered Certified Accountants (ACCA), United Kingdom and also a member of the Malaysian Institute of Accountants.</p> <p>The activities of the Internal Audit function are guided by terms of reference of internal audit set out in the TSH Corporate Governance Guidelines and annual audit plan that are approved by the Audit Committee.</p> <p>The Internal Audit function is carried out in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (“IIA”).</p> <p>The total cost incurred in managing the Internal Audit Department in 2017 was RM346,635.</p>
Explanation for departure	:	N/A
<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

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>Details on the stakeholders engagement can be found on our Sustainability Report of year 2017.</p> <p>TSH values the dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, Frederick Tan Aik Yong has been appointed as the person responsible for communication with shareholders and other stakeholders of the Company.</p> <p>It is the Company's practice to share with its shareholders of the Company's responses to questions raised by the Minority Shareholder Watchdog Group ("MSWG") at the AGM.</p> <p>Members of the Board, the external auditors and representatives from the share registrars of the Company are present to answer questions raised at the meeting.</p> <p>A press conference is usually held immediately after the AGM or general meeting where Board members are available to answer question from the press on the Group's activities and performance. Board members are also available before and after these meetings for informal discussions.</p> <p>TSH website provides all relevant information on TSH and is accessible by the public. TSH has dedicated a section on the website to its investors where media releases, credit ratings, quarterly and annual financial statements, announcements, annual reports and circular to shareholders are made available for review.</p> <p>Corporate information and communication and engagement with stakeholders are made through various platforms and media including the Company's website and announcements made via Bursa LINK.</p> <p>The Company has adopted a Corporate Disclosure Policy and Procedures that outlines the policies and processes for communications with shareholders, analysts and investors to ensure that the communications are effective and comply with the applicable</p>

	<p>laws, rules and regulations.</p> <p>Stakeholders are encouraged to direct their inquiries via email at fredtan@tsh.com.my.</p>	
Explanation for departure	: N/A	
<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

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 Board is of the view that the Company is currently not in the position to undertake integrated reporting due to rather extensive demand on management time correspondent to changes in corporate governance reporting, sustainability statement and new accounting standards (MFRS). Once these issues have been stabilised, the Board would start looking at the building block towards integrated reporting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information. Components such as Management Discussion & Analysis, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control form an integral part of the non-financial information.</p> <p>Information is also provided on the trends, outlook and prospects of the Group.</p>
Timeframe	:	Within 5 years

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	:	28 days' notice has been given in respect of the Company's 38 th AGM to be held on 24 May 2018.	
Explanation for departure	:	N/A	
<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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	All Directors have always used their best endeavours, to attend general meetings of the Company. However, one of the Directors, Mr Frederick Tan Aik Yong did not attend the preceding AGM held on 25 May 2017 as he was under the weather.	
		Nonetheless, the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee was available at the preceding AGM.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	It is the Company's practice to set the AGM date 6 months in advance and tabled to the Board for approval to enable the Directors to plan ahead and allocate time in their respective schedules.	
Timeframe	:	Barring any unforeseen circumstances, all Directors would exercise their best endeavours to attend every general meeting.	

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	:	Applied
Explanation on application of the practice	:	<p>It is not the Company's practice to hold general meetings in remote locations. For the past 17 years, the Company has exercised its best endeavour to hold its general meetings at the same venue, ie Eastin Hotel, Petaling Jaya as most shareholders were familiar with the venue which was easily accessible.</p> <p>In addition, the Company's Memorandum and Articles of Association allows its shareholders to appoint representatives or proxy/proxies to vote on their behalf in their absence provided that the proxy form is deposited at the registered office of the Company at least 48 hours before the general meetings.</p> <p>The Company will be seeking its shareholders' approval on the proposed new constitution to allow general meetings to be convened at more than one (1) venue using any technology or method that enables the shareholders to participate and to exercise their rights to speak and vote at the meeting in accordance with Section 327(1) and (2) of the Companies Act 2016.</p>
Explanation for departure	:	N/A
<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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