

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : LATITUD  
**COMPANY NAME** : Latitude Tree Holdings Berhad  
**FINANCIAL YEAR** : June 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.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed.</p> <p>The roles and responsibilities of the Board are set out in the Board Charter under Item 3 and the Board Committees' roles and responsibilities in discharging its functions which had been delegated by the Board are set out in each respective Board Committees' Terms of Reference. The Board Charter is publicly available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a>.</p> <p>At each board meeting, the Directors undertake the following activities:</p> <ul style="list-style-type: none"><li>(i) Review of the business plan and overall strategies for the Group;</li><li>(ii) Review the business and financial performance of the Group periodically;</li><li>(iii) Provision of constructive feedback and guidance on areas which should be improved; and</li><li>(iv) Review and follow-up on issues raised at previous meetings to ensure that suggested action items and solutions have been implemented.</li></ul> |
| <b>Explanation for departure</b>                  | : |   |

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

### Intended Outcome

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

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has a Chairman who is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board Meetings to ensure contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.</p> <p>On 1 November 2018, the Board appointed a new Chairman, Dato' Dr Norraesah Binti Haji Mohamad who would continue to led the Board in place of late Dato' Haji Shaharuddin Bin Haji Haron. The roles of the Chairman are set out in the Board Charter under Item 4.1.</p> <p>The Chairman ensures that the Board decisions taken are in the Company's best interest and fairly reflect Board's consensus at all times.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The positions of the Chairman of the Board and the Managing Director of the Company are held by two different individuals. The position of Chairman is held by Dato' Dr Norraesah Binti Haji Mohamad, while the position of Managing Director is held by Mr Lin, Chin-Hung.</p> <p>The respective duties and responsibilities of the Chairman and the Managing Director are set out in the Board Charter under Items 4.1 and 4.2.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 1.4

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company has three (3) Company Secretaries and all three are qualified under Section 235 of the Companies Act 2016.</p> <p>The roles of the Company Secretary are set out in the Board Charter under Item 5.3.</p> <p>The Company Secretaries assisting Management with the preparation of all required documentation, minutes and updates for Board and Board committee meetings. The Company Secretaries also review and comment on all statutory disclosures in annual report prior to printing. In addition, the Company Secretaries provide advice and guidance to the Board and Management on matters of a regulatory or company secretarial nature.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 1.5

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>Prior to the Board meetings, all Directors are furnished with the notice of agenda which sets out the matters to be reviewed and discussed at least seven (7) days before the meetings.</p> <p>Detailed board papers that contain relevant information and documents for the agenda are also circulated to all the Directors prior to the meetings in a timely manner to enable the Directors to review the material and obtain additional information or clarification prior to the meeting.</p> <p>The Directors have access to all information within the Company as well as to the advice and services of the Company Secretaries, whether as a full Board or in their individual capacities, to assist them in the decision-making process. Where necessary, the Directors may engage independent professionals at the Company's expense on specific issues, in order to enable the Directors to discharge their duties with the benefit of all available knowledge and resources.</p> <p>Minutes of all Board meetings are properly recorded including issues discussed in arriving at decisions. The minutes shall be circulated in a timely manner and shall be reviewed and approved by the members of the Board.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Company has established a Board Charter which outlines the Board's roles and responsibilities, Chairman, Managing Director, Company Secretaries and Board Committees as well as issues and decisions reserved for the Board are set out in the Company's Board Charter.</p> <p>The Board Charter is periodically reviewed by the Board to ensure the Company remains at the forefront of best practices in Corporate Governance.</p> <p>The Board Charter is made available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a>.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
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### Intended Outcome

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

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

### Practice 3.1

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

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company has adopted a Code of Conduct and Ethics setting out the standards of conduct expected from Directors which is available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a>.</p> <p>To inculcate good ethical conduct, the Group has also established a Code of Conduct for Employees, which has been communicated to all levels of employees in the Group.</p> <p>The Board reviews the Code of Conduct and Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

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

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Company has adopted a policy on whistleblowing in order to provide a transparent and confidential process for dealing with concerns about possible improprieties in matters of financial reporting, compliance and other malpractices.</p> <p>The following general principles are set out in the policy:</p> <ul style="list-style-type: none"><li>(i) all concerns raised by employees will be treated fairly and properly, as long as it is a genuine concern;</li><li>(ii) the Company will not tolerate harassment or victimisation of anyone raising a genuine concern;</li><li>(iii) any individual making a disclosure will retain anonymity unless the individual agrees otherwise;</li><li>(iv) the Company will ensure that any individual raising a concern is aware of who is handling the matter; and/or</li><li>(v) the Company will ensure no one will be at risk of suffering some form of reprisal as a result of raising a concern even if the individual is mistaken.</li></ul> <p>A grievance procedure is also clearly outlined in the policy.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
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### 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.

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| <b>Application</b>   | : | Departure   |
| <b>Explanation on application of the practice</b>  | : |   |
| <b>Explanation for departure</b>   | : | <p>The Board comprises two (2) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Non-Independent Non-Executive Director. The present Board composition has complied with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.</p> <p>The Board views the current size and composition of the Board are within a range which is appropriate at present to provide the necessary check and balance to the Board's decision-making process.</p> <p>The Independent Directors have fulfilled their role as Independent Directors through objective participation in Board deliberations and the exercise of unbiased and independent judgement.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

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

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Company has on its Board, one (1) Independent Non-Executive Director ("ID"), who has served as Independent Director for more than twelve (12) years as at end of the financial year under review.</p> <p>Following assessment and recommendation by the Nomination Committee, the Board was of the opinion that the Director's independence remains unimpaired and his judgement over business dealings of the Company is not influenced by the interest of other Directors or substantial shareholders.</p> <p>Accordingly, the Board recommended that the Director who has served as ID of the Company for a cumulative term of more than twelve (12) years as at the end of the financial year under review, be retained as ID, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company by way of ordinary resolution in line with Section 291 of the Companies Act 2016. Key justifications for retaining him as ID are set out under the explanatory notes of Notice of Annual General Meeting in the Company's Annual Report 2019.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

**Intended Outcome**

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

**Practice 4.4**

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board acknowledges the importance of boardroom diversity, including industry experience, background, gender, and age to the effective functioning of the Board. While it is important to promote diversity, the appointments to the Board focus solely on the merits, qualification and working experience of the candidates. The criteria for the recruitment/appointment of Directors are contained in the Board Charter under Item 4.5 and Policies Governing the Board of Directors under Item 1, both of which are available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a>.</p> <p>On appointment of senior management, the Nomination Committee focuses on their working experience, skills set, competencies, qualifications, integrity and commitment in the assessment of the identified senior management personnel before recommending for approval of the Board. The criteria for the recruitment/appointment of senior management are available in Item 7 of Policies Governing the Board of Directors.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

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

### Practice 4.5

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

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| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Board is presently of the view that there is no necessity yet to fix a specific gender diversity policy as the Board has two (2) female directors. The appointment of any Director(s) should be based on their merit, qualification and working experience and the Board is supportive of gender equality. The Board practices non-discrimination in any forms whether based on age, gender, ethnicity or religion throughout the organisation. This includes the selection of board members and senior management. In addition, the Group believes that it is utmost important that the Board member comprises the best qualification and skillsets.</p> <p>In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |



### Intended Outcome

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

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | According to Item 1 of Policies Governing the Board of Directors, existing Directors may propose the name of any potential candidate to the Chairman of the Board, from, amongst others, a registry of Directors, such as that maintained by the NAM Institute for the Empowerment of Women Malaysia (NIEW) at <a href="http://www.wcdregistry.com">http://www.wcdregistry.com</a> , or the Malaysian Alliance of Corporate Directors at <a href="http://www.macd.org.my">http://www.macd.org.my</a> or with the assistance of external professional recruitment consultants/firms. |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Nomination Committee is chaired by the Independent Non-Executive Director of the Board, Dato' Dr Norraesah Binti Haji Mohamad. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
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### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Nomination Committee (“NC”) reviews annually the required mix of skills and experience of the Board, including core competencies which Non-Executive Directors should bring to the Board and assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.</p> <p>The evaluation process is led by the Chairman of the NC and supported by the Company Secretaries annually. The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board committees.</p> <p>The evaluation consists of the following 6 sections:</p> <ol style="list-style-type: none"><li>1) Board and Board Committees Evaluation – covers evaluation on board mix and composition, quality of information and decision making, boardroom activities, and board’s relationship with the senior management;</li><li>2) Assessment of Character, Experience, Integrity, Competence and Time Commitment;</li><li>3) Assessment on Mix of Skill and Experience – including identification of training needs of each Director;</li><li>4) Evaluation of Level of Independence of a Director;</li><li>5) Audit Committee (“AC”) Evaluation – covers quality and composition of AC, skills and competencies and meeting administration and conduct; and</li><li>6) AC Members’ Self and Peer Evaluation.</li></ol> <p>The evaluation forms completed by all Directors are summarised and reviewed at the NC’s meeting and reported to Board by the Chairman of the NC.</p> <p>During the financial year, the NC had reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive Directors and Non-Executive Directors, size of the Board, contribution of each director and effectiveness of the Board</p> |

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|  | and Board Committees and also evaluated the level of independence of the Directors. Based on the assessment, the NC was satisfied with the existing Board composition, and was of the view that all the Directors and Board Committees of the Company have discharged their responsibilities in a commendable manner and have performed competently and effectively. |  |
| <b>Explanation for departure</b>   | :  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | The Policies Governing the Board of Directors available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a> , sets out the policies and procedures governing the remuneration of Executive Directors, Non-Executive Directors and Senior Management. |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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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.

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Board has a Remuneration Committee. The Terms of Reference of the Remuneration Committee are available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a> . |  |
| <b>Explanation for departure</b>   | : |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
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### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

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| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Board is of the opinion that detailed disclosure of individual Director's remuneration will not have significant effect on the stakeholders' evaluation of the Group's governance. Alternatively, the Board decided to disclose the remuneration of Directors in bands instead of on a named basis in accordance to requirement of Paragraph 11, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Board's remuneration disclosure can be found in pages 25 and 26 of the Company's Annual Report 2019.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

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| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | The Board is of the view that the disclosure of Senior Management's remuneration on a named basis will not be in the best interest of the Group, as it will give rise to recruitment and talent retention issues and may lead to the performing Senior Management staff being poached by the competitors and hence, the Group may lose high calibre personnel who have been contributing to the Group's performance. |
|  | : | Alternatively, the Company has disclosed the aggregate total remuneration of all the key management personnel for the financial year ended 30 June 2019, under Note 30(b) to the Financial Statements on page 121 of the Company's Annual Report 2019. This coincides with the requirements of Paragraph 17 of MFRS 124: Related Party Disclosures.  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |



**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the Audit Committee is Mr Toh Seng Thong and he is not the Chairman of the Board. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company has adopted a policy on External and Internal Auditors which includes the observation of cooling-off period of at least two (2) years before a former key audit partner can be appointed as a member of the Audit Committee.</p> <p>To date, the Company has not appointed any former key audit partner as director of the Company.</p> |  |
| <b>Explanation for departure</b>   | : |  |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

|   |   |
|---|---|
| <b>Application</b> :                                | Applied   |
| <b>Explanation on application of the practice</b> : | <p>The Company has adopted a policy on External and Internal Auditors which sets out policies and procedures to assess the suitability, objectivity and independence of the external auditors ("EA").</p> <p>The Audit Committee ("AC") reviews and assesses the suitability and independence of EA of the Company on an annual basis. The annual review and assessment is carried out via assessment questionnaires. The areas for assessment of the EA cover, inter-alia, their technical competencies, independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the EA. Pertinent feedbacks from the Group Finance Director and Group Financial Controller were obtained by the AC to augment its assessment of the EA.</p> <p>The AC had in the meeting held on September 2019 assessed the performance of the EA, Messrs Ernst &amp; Young based on the above criteria and was satisfied with their performance, technical competence and audit independence.</p> <p>The AC also received assurance from the EA confirming that they are and have been independent throughout the conduct of the audit engagement with the Company in accordance with the By-Laws of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants on ethics and professional independence, in respect of the financial year 2019.</p> <p>Based on the AC's recommendation, the Board recommended the re-appointment of EA, Messrs Ernst &amp; Young for approval by shareholders at the Company's Annual General Meeting to be held on 25 November 2019.</p> |
| <b>Explanation for departure</b> :                  |   |

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|  |   |             |
|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption of the practice</b> | : |             |

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>All the Audit Committee ("AC") members are financially literate and carried out their duties in accordance with the Terms of Reference of the AC. The qualification and experience of the individual AC members are disclosed in the profile of Directors in the Annual Report.</p> <p>All members of the AC have attended the relevant continuous professional development programmes to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the training programmes attended by the AC members are set out in the Corporate Governance Overview Statement of the Company's Annual Report 2019.</p> <p>Besides, there were also briefings by the External Auditors, Group Finance Director and Group Financial Controller on the relevant update on the financial reporting standards and the regulatory requirements from time to time during the AC meetings.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

### Intended Outcome

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

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

### Practice 9.1

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

|   |   |   |
|---|---|---|
| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The Board acknowledges its responsibility for establishing a sound system of internal control and risk management in order to safeguard shareholders’ investments and the Group’s assets and for reviewing the adequacy and effectiveness of the risk management and internal control system.</p> <p>The Board has established an Enterprise-Wide Risk Management (“ERM”) framework to identify, evaluate and manage significant risks within the Group in its operations. For effective implementation of the ERM framework, a Risk Management Committee (“RMC”), which is not a board committee, is formed by the Company. The RMC is chaired by the Managing Director and assisted by the Heads of Department from respective operating subsidiaries.</p> <p>The RMC reports to the Board, via the Audit Committee, on key risks identified and the implementation of action plans to mitigate any weaknesses in the control environment.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |



### Intended Outcome

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

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

### Practice 9.2

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | Details of the feature of risk management and internal control framework are disclosed under Statement on Risk Management and Internal Control in the Company's Annual Report 2019.<br><br>Adequacy and effectiveness of the key risk management and internal control processes are also reviewed by the Risk Management Committee and reported to the Board via Audit Committee on a periodic basis. |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

|  |             |
|--|-------------|
| <b>Application</b> :                             | Not Adopted |
| <b>Explanation on adoption of the practice</b> : |             |

### Intended Outcome

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

### Practice 10.1

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The internal audit function of the Company is outsourced to an independent consulting firm, Axcelasia Columbus Sdn Bhd. The Head of Internal Audit reports directly to the Audit Committee (“AC”) and administratively to the Managing Director.</p> <p>The internal audits were performed based on risk-based approach and audit plan that is reviewed and approved by the AC. The reports of the audit findings were forwarded to the Management for attention and necessary action then presented to the AC for deliberation and approval.</p> <p>The AC also assessed the adequacy of scope, functions, competency and resources of the Internal Audit functions on an annual basis.</p> <p>Statement on Risk Management and Internal Control in the Company’s Annual Report 2019 provides further details on works of the Internal Audit Function.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The internal audit function is currently outsourced to an independent consulting firm, Axcelasia Columbus Sdn Bhd (“Internal Auditors”) and reports directly to the Audit Committee (“AC”). The Head of Internal Audit is a Certified Internal Auditor from the Institute of Internal Auditors North America and possess more than twenty five (25) years of experience in external and internal audit advisory, risk management, governance, financial management and business process enhancement. The number of resources deployed for each internal audit review ranges from three (3) to four (4) staffs per visit.</p> <p>The Internal Auditors assist the AC in providing independent assessment and review on the adequacy, efficiency and effectiveness of the key controls and processes in the operating companies, as well as the governance aspect of the Group and to ensure compliance with the established policies and procedures of the Group. The Head of Internal Audit has affirmed to the AC that they were free from any relationships or conflict of interest which could impair their objectivity and independence.</p> <p>The Internal Auditors use the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems.</p> <p>The Board has also adopted a policy on External and Internal Auditors, which sets the criteria for assessing the suitability on appointment of Internal Auditors, as well as their re-appointment.</p> |
| <b>Explanation for departure</b>                  | : |   |
|   |   |   |

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

|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

### Intended Outcome

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

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

### Practice 11.1

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The importance of keeping stakeholders informed of developments concerning the Group is high on agenda. Communication and engagement with stakeholders are made through the quarterly announcements on financial results to Bursa Malaysia Securities Berhad ("Bursa Securities"), relevant announcements and circulars, when necessary, the Annual General Meetings ("AGMs"), annual reports and company announcements. Such disclosures of information were released in a timely manner and in accordance with the Main Market Listing Requirements of Bursa Securities. All these announcements and other information about the Company are available on the Company's website at <a href="http://www.lattree.com">www.lattree.com</a>. The website is continuously updated to ensure that the information contained within is correct.</p> <p>The AGM is the main forum for dialogue with shareholders and serves as a platform on which Directors may promote and encourage bilateral communications with its shareholders. Shareholders are given reasonable time to ask questions pertaining to issues in the Annual Report, corporate developments on the business of the Group and resolutions proposed. The external auditors are also present in order to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.</p> <p>The Company has adopted a Corporate and Communication Disclosure Policy which sets out the procedures and guidelines for the Board and Management to adhere in relation to dissemination of information to shareholders.</p> |
| <b>Explanation for departure</b>                  | : |   |
|   |   |   |

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

|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |

**Intended Outcome**

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

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

**Practice 11.2**

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

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Departure  |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : | At the reporting date, the Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance. Hence, such requirement is not applicable at this juncture. |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |



**Intended Outcome**

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

**Practice 12.1**

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>It has been the Company's practice to send the Notice of the Annual General Meeting ("AGM") and circulars to shareholders at least twenty-one (21) days before the meeting. This is to provide the maximum opportunity for as many shareholders as possible to attend and participate either in person, by corporate representative or by proxy.</p> <p>In line with the recommendation of the Malaysian Code on Corporate Governance, the notice for the Twenty-Fourth ("24th") AGM held on 27 November 2018 was issued by the Company on 29 October 2018, 28 days prior to the meeting.</p> <p>The Company will be serving a Notice of Twenty-Fifth ("25th") AGM dated 25 October 2019, i.e. 28 days' notice, to its shareholders for the convening of the 25th AGM on 25 November 2019.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

**Practice 12.2**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | During Annual General Meetings, all Directors including the Chairman of the Board, the Chairman of the Nomination Committee and the Chairman of the Audit Committee are present. After each resolution is proposed, the Chairman provides an opportunity to the shareholders to ask questions on each resolution tabled, or on any associated matter. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

### Intended Outcome

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

### Practice 12.3

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

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

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>The Company's general meetings have always been held in Shah Alam City which is accessible and convenient to all shareholders.</p> <p>Based on the Record of Depositors as at 28 June 2019, the number of shareholders was about 1,800 and is not large enough to warrant the use of the technology to facilitate remote shareholders' participation at general meetings or voting in absentia at this point in time. However, shareholders who are unable to present in person at the general meetings are allowed to appoint proxies to attend, participate, speak and vote on their behalf at the Annual General Meeting.</p> <p>Average number of shareholders attended for the past general meetings were less than 100.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |