

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance (“CG”) Overview Statement of the Company for the financial year ended 30 June 2018. This CG Overview Statement is prepared pursuant to paragraph 15.25(1) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The Board has been guided by the Malaysian Code on Corporate Governance 2017 (“MCCG”) in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations.

The CG Overview Statement provides a summary of the Company’s CG practices during the financial year, with reference to the 3 principles, intended outcomes and practices of the MCCG, having considered the Company’s structure, processes, business environment and industry practices. The 3 principles under the MCCG:

- Board leadership and effectiveness;
- Effective audit and risk management; and
- Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Overview Statement should be read together with the CG Report, which is accessible on the Company’s website at www.lion.com.my/lionfib. It should also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Audit and Risk Management Committee Report.

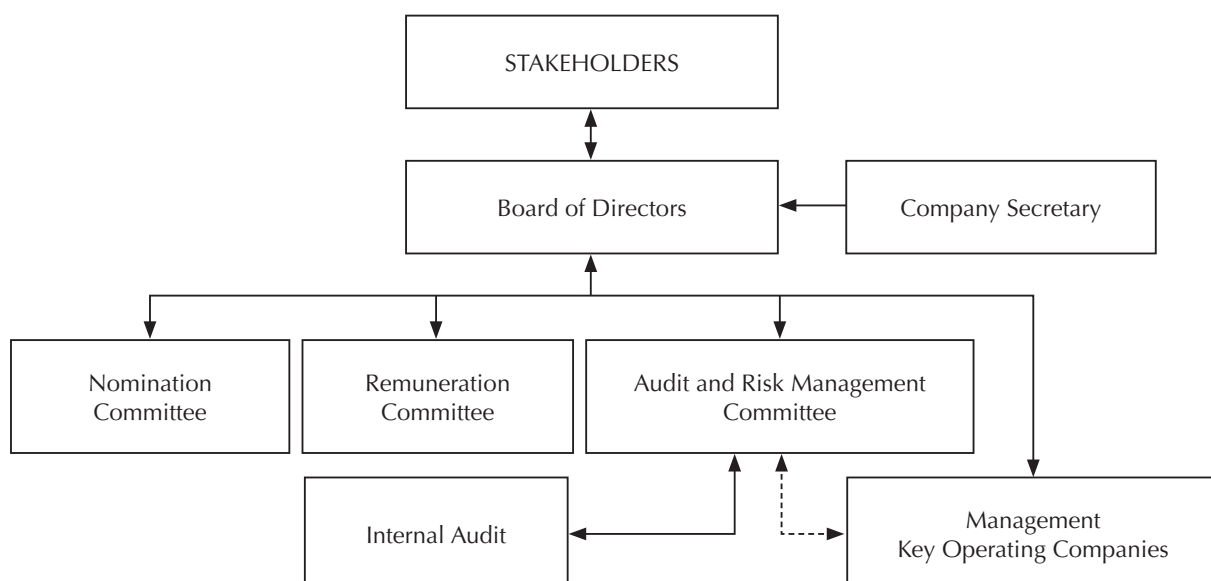
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes throughout the financial year under review except for the following practices:

- Practice 4.5 : Company’s policies on gender diversity, its targets and measures to meet those targets.
- Practice 7.1 : Detailed disclosure on a named basis, the remuneration of individual directors.
- Practice 7.2 : Disclosure on a named basis, the remuneration of top 5 senior management.
- Practice 11.2 : Adoption by large companies of integrated reporting based on a globally recognised framework.
- Practice 12.3 : Leveraging technology to facilitate voting in absentia and remote shareholders’ participation at general meetings for listed companies with a large number of shareholders or which have meetings in remote locations.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 30 June 2018.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of the Company where the responsibilities of the Board are delegated to the relevant Board Committees and the Management of the Company are illustrated below:



BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Responsibilities for Leadership and Meeting Objectives and Goals

The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders value. The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Group's businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Group's system of internal controls, and ensuring effective communications with stakeholders.

The Chairman is primarily responsible for ensuring Board effectiveness and leading the Board in its collective oversight of management whereas the Executive Directors ("EDs") are responsible for day-to-day management of the Group's businesses and operations including the implementation of business plans, strategies and policies. The distinct and separate roles of the Chairman and EDs with clear division of responsibilities are set out in the Company's Board Charter. The positions of Chairman and EDs are held by different individuals.

The Company Secretaries who have the requisite credentials and qualifications are available and provide support to the Board and Board Committees in ensuring that all of their meetings as well as general meetings are properly convened in accordance with applicable rules and procedures and that the records of this proceedings and resolutions are properly maintained. The Company Secretaries also facilitate the communication of decisions made by the Board and Board Committees to the relevant Management for appropriate actions.

The Directors also have access to the Company Secretaries for advice on their duties and obligations under the Companies Act 2016 and updates on corporate governance matters, statutory and regulatory requirements, and other relevant legislations in addition to administrative matters.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the matters to be deliberated upon. Senior Management of the Group are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order for the Board to arrive at an informed decision.

Besides direct interactions with the Management, external independent professional advisers are also made available at the Company's expense to render their independent views and advice to the Board whenever deemed necessary and under appropriate circumstances or at the request of the Board.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

Demarcation of Responsibilities between Board, Board Committees, Individual Directors and Management

The Board Charter clearly sets out the composition, roles, responsibilities, powers and processes of the Board, and matters reserved for decision of the Board. In facilitating the discharge of duties by the Board, the Board Charter provides for delegation of responsibilities by the Board to Board Committees via approved Terms of Reference of each Board Committee and the reporting obligations by the Board Committees. The Board Charter sets out responsibilities of the Board to ensure effective interactions between the Management and the Board. The Board Charter also serves as reference criteria for the Board in the assessment of its own performance, individual Directors and the Board Committees. Ultimately, the Board Charter reinforces the overall accountability of both the Board and the Management towards the Company and the stakeholders.

The Board Charter is subject to review by the Board at least once in every 3 years or as and when it becomes necessary to keep it current and in tandem with any new or revision of relevant statutory and regulatory requirements impacting the responsibilities and discharge of duties by the Board. The Company's Board Charter is available on the Company's website for reference.

In assisting the Board to discharge its oversight functions, the Board delegates certain responsibilities to 3 committees, namely the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee. The approved Terms of Reference which regulate the affairs and conduct of these Committees spell out their composition, responsibilities, authorities and duties. The respective Committees report to the Board on matters considered and their recommendations thereon. The Board may also form other committees delegated with specific authorities to act on its behalf whenever required. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The approved Terms of Reference of the respective Committees are available on the Company's website for reference.

The Board delegates to the EDs, the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The EDs may delegate aspects of their authorities and powers but remain accountable to the Board for the Company's performance and are required to report regularly to the Board on the progress being made by the Company's business units and operations.

Commitment to Good Business Conduct and Healthy Corporate Culture

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("CCM") which can be viewed from the CCM's website at www.ssm.com.my, the provisions of the Companies Act 2016, and the principles of the MCCG.

The Group has in place, a Code of Business Ethics and Conduct ("CoBEC") which covers the ethical values and principles of the Group and provides guidance on acceptable behaviour to all Directors and employees of the Group in operating and managing the Group's businesses and affairs. The CoBEC is further supported by other policies which include the Whistleblower Policy, Competition Policy, Sexual Harassment Policy, Sustainability Policy & Framework, Procurement Framework, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. The key policies are available on the Company's website under the section on "Governance".

II. BOARD COMPOSITION

Objectivity in Board Decision Making

The Board comprises 6 Directors, 4 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, effectively constituting half of the Board and whose presence and participation provide independent advice, views and judgement to bear on the decision-making process of the Group in ensuring that a balanced and unbiased deliberation process is in place to safeguard the interests of all stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

In accordance with the Company's Constitution, 1/3 of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every 3 years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the Shareholders at the next annual general meeting following their appointment.

In line with the MCCG, the tenure of an independent Director does not exceed a cumulative term of 9 years. Upon completion of the 9 years, an independent Director may continue to serve on the Board as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

The Nomination Committee is responsible for recommending to the Board the re-election of Directors and the retention of the independent Directors whose tenure of service will exceed 9 years or have exceeded 9 years. The MCCG provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought by the Board through a 2-tier voting process to retain the said Director as an independent Director.

The Board, assisted by the Nomination Committee, assesses the independence of the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board.

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates to be appointed to the Board and Board Committees.

In optimising the collective leadership by the Board in providing clear direction and opportunities for the Group, the Board, in its appointments and composition, pays due recognition to the mix of competencies, expected contributions and diversity representation of the Board. The Board, from time to time, undertakes a review of the merit of the appointment criteria in the context of the Group's businesses and strategies for appropriateness. The Board currently has 2 women Directors.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the following criteria:

- Competencies – qualifications, knowledge, industrial experience and expertise, seniority and past achievements;
- Expected contributions – appointment scope, role, commitment level, professionalism and integrity; and
- Diversity representation – appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background.

The process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.

A brief description of each Director's background is presented in the respective profile under Directors' Profile on pages 6 to 8 of this Annual Report.

As an enhancement to its current process of sourcing suitable candidates for the Board, the Nomination Committee may also consider procuring suitable candidates from independent sources, when appropriate and practicable.

The Nomination Committee comprises 3 members, all of whom are independent non-executive Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Kalsom binti Abd. Rahman who is also the Senior Independent Director identified by the Board. The members and the Terms of Reference of the Nomination Committee are presented on page 31 of this Annual Report and are available on the Company's website for reference.

Effectiveness of the Board and Individual Directors

The Nomination Committee reviews and assesses the effectiveness of the Board as a whole and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference on an annual basis.

The assessment criteria for review of performance of the Board, Board Committees and individual Directors are set out in the Board Charter.

Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event, the maximum number of appointments in public listed companies shall be limited to 5 or any other number as set out in the Listing Requirements.

The notification shall include an assurance of his continued time commitment to serve the existing Board and that his other appointments shall not be in conflict or compete with the existing appointment with the Company.

Directors' Training

All Directors are encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates by engaging in continuous professional development and where appropriate, on financial literacy.

The Board, on a continuing basis, evaluates and determines the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.

In addition, the Company may arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

Newly appointed Directors, if any, are required to attend a familiarisation programme. This includes meeting key senior management to be briefed on the core businesses and operations of the Group. It also serves as a platform to establish effective channel of communication and interaction with Management.

During the financial year, the Directors had attended the following briefings, seminars, conferences, summits, workshops and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities, investment and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, financial and accounting knowledge and updates, sustainability covering community, environment, marketplace and workplace, fraud, corruption and cybersecurity risks, technology and innovation:

Name of Directors	Programme
Tan Sri William H.J. Cheng	<ul style="list-style-type: none"> • 18th Asia-Pacific Retailers Convention and Exhibition (APRCE) 2017 – Transformation, Creativity and Beyond • Parkson Retail Asia Limited In-House Directors' Training: Briefing on the updates of the Singapore Companies Act, Cap 50 and the Singapore Exchange Securities Trading Limited Listing Rules • Lion Group In-House Directors' Training: Global Trade Developments and Update on Merger Control and Competition Risks • Malaysia Retailers Association – Retail Conference: "Retail Transformation, Creativity & Beyond - A Diverse Perspective" • Parkson Retail Group Limited In-House Directors' Training: Notifiable Transactions and Connected Transactions pursuant to Hong Kong Listing Rules • Intercontinental Group of Department Stores ("IGDS") – 70th IGDS General Assembly & 6th Global Department Stores Summit in London: "The Power of Luxury Redefined"
Chan Ho Wai	<ul style="list-style-type: none"> • Implementation of Sustainability for Public Listed Companies Directors and Corporate Governance Requirement – Annual Report 2018
Cheng Hui Ya, Serena	<ul style="list-style-type: none"> • Bursa Malaysia in collaboration with the Securities Commission Malaysia – Corporate Governance Briefing Sessions: "Malaysian Code on Corporate Governance Reporting and Corporate Governance Guide" • Smart Cities : Re-Imagining Smart Solutions in Today's Digital Age - "Progressing towards Inclusive, Sustainable and Greener Hybrid Cities for Social and Territorial Cohesion" • Lion Group In-House Directors' Training: Global Trade Developments and Update on Merger Control and Competition Risks
Dato' Kalsom binti Abd. Rahman	<ul style="list-style-type: none"> • Bursa Malaysia – Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Lion Group In-House Directors' Training: Global Trade Developments and Update on Merger Control and Competition Risks
Dato' Eow Kwan Hoong	<ul style="list-style-type: none"> • Bursa Malaysia – Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Bursa Malaysia – Case Study Workshop for Independent Directors: "Rethinking - Independent Directors: A New Frontier"
Lin Chung Dien	<ul style="list-style-type: none"> • Taiwan Corporate Governance Association – "How to Strengthen Corporate Governance through Fraud Detection, Prevention and Whistleblowing Establishment"

The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and revised requirements to the Companies Act 2016, the Listing Requirements and the MCCG (“Continuing Updates”).

The Board, after having undertaken an assessment, viewed that the Directors, having attended the Programmes and having been updated and apprised with the Continuing Updates, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

III. REMUNERATION

Level and Composition of Remuneration that Attract and Retain Talents

The Company has a clear process for setting the remuneration of Directors to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The Board continued to apply the criteria set for determining the remuneration packages of executive Directors whilst the recommendation made by the Board on the non-executive Directors’ fees for approval by Shareholders at the Company’s annual general meeting was reflective of the market competitiveness and responsibilities undertaken by such Directors.

The Board delegates the oversight of the remuneration of the EDs to the Remuneration Committee whose members and Terms of Reference are presented on page 32 of this Annual Report and are available on the Company’s website for reference.

Remuneration Factoring in Individual and Company’s Performance

For confidentiality, the details of the Directors’ remuneration are not disclosed for each individual Director. The transparency and accountability aspects of corporate governance applicable to Directors’ remuneration recommended by the best practices of the MCCG are deemed appropriately served by the disclosures in the ensuing paragraphs.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2018 are categorised as follows:

	Fees RM’000	Salaries & Other Emoluments RM’000	Total RM’000
The Group and The Company			
Executive Directors	40	499	539
Non-executive Directors	150	38	188
	<u>190</u>	<u>537</u>	<u>727</u>

The number of Directors whose total remuneration falls into the respective bands is as follows:

Range of Remuneration (RM)	Number of Directors			
	The Group		The Company	
	Executive	Non-executive	Executive	Non-executive
10,000 – 60,000	1	4	1	4
480,001 – 560,000	1	–	1	–

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

Effective and Independent Audit and Risk Management Committee

The Board affirms its responsibility for the presentation of a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements.

The Audit and Risk Management Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Board discusses and reviews the recommendations proposed by the Audit and Risk Management Committee prior to the adoption of the quarterly financial results and the annual audited financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.

The Audit and Risk Management Committee comprises 3 members, all of whom are independent Directors and are financially literate. The Chairman of the Audit and Risk Management Committee is elected among the members of the Committee who is not the Chairman of the Board. The Terms of Reference and the main works undertaken by the Audit and Risk Management Committee for the financial year under review are set out in the Audit and Risk Management Committee Report on pages 25 to 29 of this Annual Report.

The Board has established a formal and transparent relationship with the External Auditors through the Audit and Risk Management Committee. The Audit and Risk Management Committee evaluates the performance and assesses the suitability, objectivity and independence of the External Auditors based on the policies and procedures which are in place. The Audit and Risk Management Committee also recommends the re-appointment of the External Auditors and their remuneration to the Board. The re-appointment of the External Auditors is subject to the approval of Shareholders at the annual general meeting whilst their remuneration is determined by the Board.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Informed Decisions on Level of Risks and Implementation of Controls in Pursuit of Objectives

The Board has the oversight responsibility of the adequacy and effectiveness of the Group's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Group to achieve its various objectives at many levels and having considered the risks that the Group faces whilst balancing out the interest of its many stakeholders and protecting the Group's assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the Audit and Risk Management Committee. An approved Enterprise Risk Management ("ERM") Framework which was developed based on ISO31000:2009 is in place and provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools. The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic, Business, Financial and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Group has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework and provide confirmation of the effectiveness of internal control and risk assessment process by the respective Head of Key Operating Companies ("KOC") and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

An overview of the Board's responsibility, the state and descriptions of the key components of the Group's system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 18 to 24 of this Annual Report.

Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit and Risk Management Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by the Group Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The Internal Auditors attend all meetings of the Audit and Risk Management Committee. The Audit and Risk Management Committee's review of the scope of work, budget, reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the Audit and Risk Management Committee Report on pages 29 and 30 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 20 in the Statement on Risk Management and Internal Control and page 29 in the Audit and Risk Management Committee Report of this Annual Report, respectively.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Continuous Communication between the Company and Stakeholders to Facilitate Mutual Understanding of Objectives and Expectations

The Board acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. The Board ensures its adherence to and compliance with the disclosure requirements of the Listing Requirements as well as the Corporate Disclosure Guide issued by Bursa Securities.

The Company's Shareholders and members of the public may gain access to any latest corporate information of the Company on its website at www.lion.com.my/lionfib which is linked to the announcements published on the website of Bursa Securities at www.bursamalaysia.com.

The Group also values dialogues with institutional investors, fund managers and analysts. The Group has been practising open discussions with investors/fund managers/analysts upon request through meetings, teleconferencing and emails. In this regard, information is disseminated with strict adherence to the disclosure requirements of Bursa Securities.

The Company's website provides easy access to corporate information, Board Charter, Terms of Reference of Board Committees, key policies, annual reports and company announcements pertaining to the Group and its activities.

The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the senior independent non-executive Director.

II. CONDUCT OF GENERAL MEETINGS

Participation by Shareholders and Informed Voting Decisions

The Board has oversight over the implementation and maintenance of the required effective communications and engagements with Shareholders.

The annual general meetings and other meetings of Shareholders are the principal forum for dialogue with Shareholders. Shareholders are provided with an opportunity to participate in the question and answer session at which Shareholders may raise questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to respond to Shareholders' queries. The Chairman also shares with the Shareholders, the Company's responses to questions submitted in advance of the annual general meetings by the Minority Shareholder Watchdog Group. A summary of key matters discussed at the annual general meetings of the Company are published on the Company's website.