

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7180
COMPANY NAME : Sern Kou Resources Berhad
FINANCIAL YEAR : June 30, 2018

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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

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

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") is responsible for the stewardship of the Company's business and affairs with a view to enhance long term shareholders value as well as investor interest while taking into account the interests of other stakeholders and maintaining high standards of transparency, accountability and integrity.</p> <p>The Board provides stewardship to the Group's strategic direction and operations. The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, and charting the course of the Group's business operations whilst providing effective oversight of Management's performance, risk assessment and controls over business operations to address the sustainability of the Group's business.</p> <p>The Board has delegated day-to-day management of the Group to the Managing Director ("MD"), Executive Directors and the senior management team.</p> <p>Further, to ensure effective discharge of its function and responsibilities, the Board has also delegated specific responsibilities to the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, which operate within their respective Terms of Reference.</p> <p>The principle roles and responsibilities of the Board can be found in the Board Charter which can be viewed at Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by an Independent Non-Executive Director, Chairman, Tan Sri Abdul Rahim Bin Mohd Noor. The Chairman is committed to good corporate governance practices and has been leading the Board towards culture of high performance.</p> <p>As provided under the Company's Board Charter, the Chairman is responsible for, among others:</p> <ol style="list-style-type: none"> a. leading the Board in setting the values and standards of the Company; b. maintaining a relationship of trust with and between the Executive and Non-Executive Directors; c. ensuring the provision of accurate, timely and clear information to Directors; d. ensuring effective communication with shareholders and relevant stakeholders; e. arranging regular evaluation of the performance of the Board, its Committees and individual Directors; f. facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors; and g. facilitating the ongoing development of all Directors. <p>The roles of Chairman are distinguished from that of the MDs'/ Executive Directors' roles with clear division of responsibilities as outlined in the Company's Board Charter.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company practices the division of responsibility between the Chairman and MD/ Executive Directors (“ED”) and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and MD/ED are separated and clearly defined, and are held individually by two persons.</p> <p>The Chairman of the Board is Tan Sri Abdul Rahim Bin Mohd Noor, an Independent Non-Executive Director whilst the MD is Mr Low Peng Sian @ Chua Peng Sian. The MD, together with the Executive Directors, have the overall responsibilities over the Group’s operating units, organisational effectiveness and implementation of the Board policies and decisions.</p> <p>The Chairman is primarily responsible for matters pertaining to the Board and the overall conduct of the Group and is committed to good CG practices and has been leading the Board towards high performing culture while the MD is responsible for the implementation of broad policies and decisions approved by the Board and he is obliged to report to the Board at Board Meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory development which might have an impact on the daily operation.</p> <p>All decisions of the Board are made unanimously or be consensus. To ensure balance of power and authority on the Board, majority of the Board members are Independent Non-Executive Directors. The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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 Company Secretaries are qualified to act as secretary under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:</p> <ul style="list-style-type: none">• Providing support and guidance to the Board on issues relating to compliance with rules and regulations and relevant laws affecting the Company as well as the best practices on governance matters.• Updating the Board on any new regulation issued by the regulatory authorities.• Organising and attending all Board meetings and Board Committees meetings as well as general meetings and ensuring the proceedings of meetings are recorded and the minutes circulated in a timely manner.• Undertaking the statutory duties as prescribed under the Companies Act 2016 and the Listing Requirements.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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>Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis for an effective discharge of the Board's responsibilities.</p> <p>As required under the Company's Board Charter, the Board members receive meeting materials at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by Directors and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.</p> <p>Deliberations and decisions made at Board and Board Committees meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The minutes are then circulated to the Directors and Board Committees members for perusal. The minutes are confirmed as correct record by the Board and Board Committees at the following meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Board Charter which clearly sets out the Board’s roles and responsibilities in discharging its fiduciary and leadership functions.</p> <p>The Board Charter, which is periodically reviewed by the Board to be in line with regulatory changes, was last reviewed and approved by the Board on 9 October 2018. The updated version of the Board Charter is available on the Company’s website.</p> <p>To enhance accountability, the Board has established clear functions reserved for the Board, Board Committees, individual Directors and Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands.</p> <p>The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, Board Chairman, Board Committees, Executive Directors and Non-Executive Director as well as the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board’s responsibilities.</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

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	:	The Board is guided by the Company's Code of Conduct ("the Code") for Directors and Employees in discharging its oversight role effectively. The Code requires all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Code had been published on the corporate website and it will be reviewed from time to time by the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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>The Board had formalised the Company's Whistleblowing Policy to promote the highest standard of corporate governance and transparency. The whistleblowing policy outlines the avenues for all employees, suppliers, agents, contractors and customers of the Group to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.</p> <p>Any employee and member of public who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the MD or Chairman of the AC, either through formal or informal channels.</p> <p>Management will ensure that the whistleblower who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.</p> <p>The Whistleblowing Policy is included in the Board Charter and published on the Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	The Board consist of eight (8) members. Out of the eight (8) directors, five (5) of them are Independent Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Practice 4.2 states that if the Board continues to retain the Independent Non-Executive Directors after the twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process.</p> <p>Currently, there are four (4) Independent Non-Executive Directors, namely, Tan Sri Abdul Rahim Bin Mohd Noor, YBhg Datuk Dr Haris Bin Haji Salleh, Dr Tan Chee Huat and Datuk Tay Puay Chuan, whose tenure are more than twelve (12) years.</p> <p>The Nominating Committee ("NC") is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence adopted by the Board. Following an assessment and recommendation by the NC conducted, the Board recommended the continuation of Tan Sri Abdul Rahim Bin Mohd Noor, YBhg Datuk Dr Haris Bin Haji Salleh, Dr Tan Chee Huat and Datuk Tay Puay Chuan as the Independent Non-Executive Directors for approval by shareholders at the forthcoming Annual General Meeting ("AGM"). Key justifications for retaining them as the Independent Non-Executive Directors are disclosed in the Notice of AGM of Annual Report 2018.</p> <p>With the calibre, qualifications, experience and personal traits, particularly on integrity and objectivity, possessed by Tan Sri Abdul Rahim Bin Mohd Noor, YBhg Datuk Dr Haris Bin Haji Salleh, Dr Tan Chee Huat and Datuk Tay Puay Chuan, the Board believes that these four (4) Directors are well positioned to discharge their duties and responsibilities as Independent Non-Executive Directors towards meeting the Company's needs for the ensuing year, and they can continue to perform their duties without being subjected to undue influence.</p>

	<p>The Board is of the opinion that the two-tier voting outlined in the MCCG is not compatible with the provisions in the Companies Act 2016 and the Company's Constitution, as the right of the shareholders, including the right to vote, shall rank pari passu. An ordinary resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the Large Shareholders and other shareholders had voted in favour of such a resolution as required under the MCCG.</p>	
	<p>Thus, The Board will seek shareholders' approval via a normal poll voting process at the forthcoming AGM for continuation of office of Tan Sri Abdul Rahim Bin Mohd Noor, YBhg Datuk Dr Haris Bin Haji Salleh, Dr Tan Chee Huat and Datuk Tay Puay Chuan as the Independent Non-Executive 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>		
<p>Measure</p>	<p>:</p>	<p>Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p>Timeframe</p>	<p>:</p>	<p>Choose an item.</p>

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	:	Adopted
Explanation on adoption of the practice	:	<p>The Company's Board Charter states that the tenure of an Independent Director shall be for a cumulative term of nine (9) years since appointment as an Independent Director.</p> <p>The Independent Director may continue to serve beyond the 9-year tenure provided the Independent Director is re-designated as a Non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval in the event that a Director, who has served in that capacity for more than nine (9) years, retains as an Independent Director.</p>

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 acknowledges the importance of diverse Board and Senior Management. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members.</p> <p>The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.</p> <p>The Group endeavour to meet the diversity at the Senior Management level and the composition of the Key Senior Management of the Group comprises a mixture of both genders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of boardroom diversity and takes cognisance of the recommendation of the MCCG to have at least 30% of female directors.</p> <p>The Board established the Board Diversity Policy as set out in the Board Charter of the Company, which is available on the Company's website.</p> <p>However, the Board has yet to implement gender diversity policy and target, or has any immediate plans to implement such policy and target as the Board is of the view that gender should not be a basis of evaluation and that candidate should be sought after based on their level of experience and skill set as well as other qualities as stated above.</p> <p>Nevertheless, in the event of a vacancy in the Board, the Board, through the Nomination Committee has been tasked to consider the female representation when a vacancy arises and/or suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available.</p> <p>Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	The Board may utilise the independent sources if there is a need to source for candidate with the relevant skills, expertise, integrity, character, commitment, etc.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination Committee (“NC”) comprises wholly Non-Executive Directors and Independent Directors and the NC is chaired by Datuk Tay Puay Chuan, an Independent Non-Executive Director.</p> <p>The Term of Reference of the NC is available in the Company’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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 Board undertakes annual evaluation to determine the effectiveness of the Board and its Committees. The Board evaluation comprises Board Assessment, Board Committees' Assessment, Individual Assessment and Assessment of Independence of Independent Directors.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's role and responsibilities. For Individual Assessment, the assessment criteria include contribution to interaction, quality of inputs, calibre and personality and understanding of role.</p> <p>The results of the assessment would form the basis of the Nomination Committee's (NC) recommendation to the Board for the re-election of Directors at the next Annual General Meeting ("AGM").</p> <p>Based on the annual assessment conducted, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence, skills, time commitment and experience to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM. All assessments and evaluations carried out by the NC in discharging its functions were properly documented.</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

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	:	The Remuneration Committee ("RC") and the Board will ensure the Company's remuneration policy remains supportive to the Company's corporate objectives and is aligned with the interest of shareholders, and that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre. The remuneration policy set out in the Board Charter of the Company is available on the Company's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has established a Remuneration Committee ("RC") which comprises majority of Independent Non-Executive Directors and the RC is chaired by Mr Low Peng Sian @ Chua Peng Sian, the Managing Director.</p> <p>The RC reviews and recommends to the Board annually the Board's remuneration package and/or reward payments that reflect their respective contributions for the year, and which depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.</p> <p>It was important to comprise Executive Director in the RC, who was familiar with the performance and the cash flow position of the Company to allow the RC to function efficiently and ensure the remuneration package of Directors is appropriate in light of the Company's long-term objectives.</p> <p>The RC has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The details of the remuneration of Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the financial year ended 30 June 2018 are disclosed in the Corporate Governance Overview Statement of the Annual Report.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company is of the view that the disclosure of information other than as disclosed in the Annual Report 2018 is detrimental to the Company's management of its human resources due to the competitive environment for resources within the industries the Company and its subsidiaries operate in.</p> <p>While the Company has set policies and procedures in setting the remuneration of key personnel, such disclosure may also be misconstrued so as to hinder its recruitment and retention of personnel.</p> <p>The Company also believes that the non-disclosure of the information on key personnel and their remuneration will not affect the interest of its shareholders.</p> <p>As an alternative, the Company has disclosed the remuneration of its top three (3) senior management personnels in the band of RM50,000 in the Corporate Governance Overview Statement of the Annual Report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee ("AC") consisting of four (4) members, who are all Independent Non-Executive Directors. The AC is chaired by Dr Tan Chee Huat, who is distinct from the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Currently, no former key audit partner of the external auditors of the Company is appointed as a member of the Audit Committee ("AC").</p> <p>However, the AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and the said policy has been incorporated in the Terms of Reference of the AC.</p> <p>The Terms of Reference of the AC is available at the Company's website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is 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>An annual assessment of the competency and independence of the external auditors was conducted by the Audit Committee ("AC"). In assessing the external auditors' performance and suitability, the AC considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors.</p> <p>The AC received assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the MIA By-Laws (on Professional Conduct and Ethics) ("By-Laws") and the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants ("IESBA Code").</p> <p>Based on the annual assessment conducted on the external auditors' performance, the AC recommended to the Board for the re-appointment of Messrs BDO as the external auditors of the Company for the financial year ending 30 June 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is 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	:	The Audit Committee consisting of four (4) 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	:	All members of the Audit Committee ("AC") are financial literate and assist the Board to oversee and scrutinise the process and quality of the financial reporting and ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards. The Company is committed to ensure that all members of the AC undertakes continuous professional development and have annual discussion with the external auditors on financial reporting development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") oversees the risk management of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks. The Group has established a formal risk management framework to oversee the risks management of the Company and engaged an external consultant to assist the Company in identifying, assessing and managing the risks in areas that are applicable to the Company's business and ensure that the risk management process in place and functioning effectively.</p> <p>The Company has outsourced its internal audit function to a professional services firm, namely Insight Advisory Services Sdn. Bhd., to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.</p> <p>Further details can be found in the Statement on Risk Management and Internal Control in the Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Statement on Risk Management and Internal Control in the Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 30 June 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - 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	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has established a Risk Management Committee ("RMC") which comprises majority of Executive Directors and the Audit Committee's Chairman.</p> <p>The RMC ensure that the risk management structure is consistently adopted throughout the Group.</p> <p>The RMC also periodically reviews the adequacy of the Company's risk management policy and systems, and the effectiveness of policy and systems implementation in terms of identifying, measuring, aggregating, controlling and reporting there risks.</p> <p>The Term of Reference of the RMC is available at the Company's website.</p>

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 Board always places significant emphasis and sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment.</p> <p>The Board has outsourced the internal audit ("IA") function to an independent assurance provider, namely Insight Advisory Services Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group and reports directly to the Audit Committee. The responsibilities of the Internal Auditors include providing independent and objective reports on the state of internal controls and the significant operating units in the Group to the AC, with recommendations for improvement to the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the systems.</p> <p>The Internal Auditors are also required to perform periodic testing of the internal control systems to ensure that the system is robust.</p> <p>During the financial year under review, the internal auditors have conducted review on the Group in accordance to the IA Plans, which have been approved by the AC.</p> <p>Details of the IA function are set out in the AC report in the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has outsourced the Internal Audit Function to Insight Advisory Services Sdn. Bhd.</p> <p>The Internal Audit function is independent of the activities it audits and carries out its work in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, enshrined in the Internal Audit Charter to confirm the Internal Audit's independence and has sufficient resources to carry out these duties.</p> <p>The information on the Internal Audit function is available in the Statement on Risk Management and Internal Control in the Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensures prompt and timely dissemination of information to the shareholders and the investors, for them to make informed investment decisions.</p> <p>The supply of clear, comprehensive and timely information to the stakeholders via various disclosures and announcements including quarterly and annual financial results provide stakeholders and investors with up-to-date financial information of the Group. All these announcements and other information about the Company is available on the Company's website which is accessible to the shareholders, investors and the public.</p> <p>In addition, the Directors engage with shareholders at least once a year during the Annual General Meeting to understand their needs and seek their feedback.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not fall under the category of “Large Companies” as defined in the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	In 2018, the Notice of Eighteenth Annual General Meeting (“AGM”) was sent to the shareholders at least 28 clear days before the AGM, in advance of the 21-day requirement under the Company’s Constitution, the Companies Act, 2016 and the Listing Requirements, which providing additional time to the shareholders to allow them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that will be discussed and decided at the AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All the Directors, Chairs of committees and Senior Management attended the previous Annual General Meeting held on 23 November 2017.</p> <p>All Directors, Chair of committees, Senior Management, External Auditors and advisors, if any, shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the general meeting.</p> <p>The present of all Directors presented opportunities for the shareholders to engage with each Director and also allowed the shareholders to raise questions and concerns directly to the Directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company does not have meetings in remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in general meetings. It is also not cost effective nor practical for the Company to do so.
		The Company's general meetings have always been held at a venue which is easily accessible. Shareholders are entitled to appoint representatives or proxy/proxies/Chairman to vote on their behalf in their absence.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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

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

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