

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5134
COMPANY NAME : Southern Acids (M) Berhad
FINANCIAL YEAR : March 31, 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors ("Board") of Southern Acids (M) SAB ("SAB" or "the Company") which is guided by the Board Charter is ultimately responsible for the oversight and overall management of the Company. The adopted Board Charter which is available for viewing on the Company's website sets out the respective roles and responsibilities of the Board. The following are the key highlights of the Board Charter, amongst others:-</p> <ul style="list-style-type: none">❖ The role of the Board;❖ The role of Chairman;❖ The role of the Managing Director;❖ The role of the Senior Independent Director;❖ The role of the Board Committees;❖ The role of the Company Secretary; and❖ Matters reserved for the Board. <p>The Board has established the following committees with operate within its respective Terms of Reference ("TOR") approved by the Board and report to the Board with its recommendations for the Board's deliberation and approval:-</p> <ol style="list-style-type: none">1. Audit Committee ("AC"); and2. Nomination & Remuneration Committee ("NRC"). <p>The ultimate responsibility for decision making, however, lies with the Board.</p> |

a. The Board of SAB, together with the senior management team (“Management”), is committed to ensure a high standard of corporate governance is practiced throughout the Company and its subsidiaries (“Group”) in discharging its roles and responsibilities in safeguarding its assets.

b. All matters on strategic plans of the Company will be brought up by the Management to the Board for discussion and deliberation in Board meetings before a decision is made by the Board. The ultimately approved strategic plans may include revisions arising from the discussion and deliberation between the Management and the Board.

The Management team is headed by Dr. Nick Low, the Managing Director (“MD”), will be leading the planning of strategic plans which align the interest of the shareholders of the Company for the Board approval and execution thereafter.

c. The MD who is supported by his Management team is responsible for the day-to-day management of the business and operations of the Group, and to ensure its regulatory as well as commercial compliance objectives are met.

The performance of the Management under the leadership of the MD is assessed by the Board through the Management’s presentation papers on the following matters:-

- I. Financial;
- II. Operational; and
- III. Compliance.

The Management’s presentation papers will be tabled to the Board and/or Board Committee meetings respectively held during the financial year.

d. In the absence of Risk Management Committee, the Board, through the AC, oversees the key principal risks of the Group. While the enterprise risk framework is under the purview of the AC, the MD is the ultimate risk owner. The Board has appointed Tricor Roots Consulting Sdn Bhd (“TRC”) as the Company’s Enterprise Risk Management (“ERM”) consultant to the Group. The implementation of the ERM will be on staggered basis, and segment by segment.

e. The Board, through the NRC, is responsible for the succession planning for the heads of three (3) business segments. Under the TOR of the NRC, NRC will ensure that there is an effective and orderly succession planning in the Group. The Group’s Human Resources Department will be assisting the NRC on this matter, providing the necessary succession management updates regularly and when necessary.

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| | <p>f. In facilitating the continuous communication with the Company's shareholders and its stakeholders, the Board has established a shareholder communication channel with the Company.</p> <p>The Company's website has included a dedicated section for shareholders and investor relations. Enquiries on investor related matters can be directed to our Chief Financial Officer ("CFO"), Mr. Cheong Kee Yoong @ kycheong@southernacids.com.</p> <p>g. The Board is responsible in reviewing the adequacy and integrity of the management information and internal controls system of the Company.</p> <p>Details of the Company's internal controls system are set out in the Statement Of Risk Management And Internal Control on pages 50 to 51 of the Company's Annual Report 2018 ("AR 2018").</p> <p>h. The Board, together with the Management, had initiated a preliminary sustainability statement to supports the long term value creation of the Company. On 9 July 2018, the Board had reviewed and approved the report of the Management's assessment on the material sustainability factors namely economic, environmental and governance matters that are considered relevant and material to the Company's business and stakeholders.</p> <p>Further details pertaining to the Sustainability Statement are set out on pages 18 to 26 of the Company's AR 2018.</p> <p>The Board Charter is available for viewing at the Company's website at www.southernacids.com.</p> |
| <p>Explanation for departure</p> | <p>:</p> |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure</p> | <p>:</p> |
| <p>Timeframe</p> | <p>:</p> |

Intended Outcome

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is led by Tan Sri Datuk Seri Panglima Sulong Matjeraie, an Independent Non-Executive Director.</p> <p>The key roles and responsibilities have been clearly specified in Paragraph 3.5.1 of the Board Charter. There are as follows:-</p> <ul style="list-style-type: none"> (a) To lead the Board in establishing and monitoring good corporate governance practices in the Company; (b) To lead the Board efficiently and in an effective manner; (c) To ensure the efficient organization and conduct of the Board's functions and meetings; (d) To facilitate the effective contribution of all Directors at Board meetings; (e) To encourage active participation and allowing dissenting views to be freely expressed; (f) To promote constructive and respectful relations between Directors and between the Board and the Management; and (g) To ensure effective communication with shareholders and stakeholders. |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The distinct and separate roles and responsibilities of the Chairman and MD are provided in Paragraph 3.5 of the Board Charter.</p> <p>The positions of Independent Non-Executive Chairman and MD are held by Tan Sri Datuk Seri Panglima Sulong Matjeraie and Dr. Nick Low respectively.</p> <p>The role of the Independent Non-Executive Chairman and the MD are distinct and separate to ensure there is a balance of power and authority.</p> <p>The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the MD has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions.</p> <p>The MD is responsible to ensure due execution of strategic goals, effective operation within the Company, and to explain, clarify and inform the Board on key matters pertaining to the Company.</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

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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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board shall appoint someone who is suitably qualified, experienced and capable of carrying out duties attached to the post, and the removal of the Company Secretary shall be a matter for the Board as a whole.</p> <p>The Company Secretary's roles and responsibilities are provided in Paragraph 6.0 of the Board Charter. She/he will be advising the Board, usually through the Chairman, on governance matters and ensuring there is an effective system of corporate governance in place as well as guiding and advising the Board on all compliance matters such as Company Act 2016 ("CA 2016"), Malaysian Code On Corporate Governance 2017 ("MCCG 2017") and Bursa Malaysia Securities Berhad ("Bursa Malaysia) Main Market Listing Requirements ("MMLR").</p> <p>The roles and responsibilities of the Company Secretary are as follows:</p> <ul style="list-style-type: none">(a) Advise the Board and Board Committees on their roles and responsibilities;(b) Advise the Board and Board Committees on governance issues and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation;(c) Advise and continuously update the Board on corporate disclosures and compliance with listing requirements, company and securities legislations and related regulations;(d) Ensure proper upkeep of statutory registers and records;(e) Manage the logistics of all Board, Board Committees and general meetings, attend and record minutes of the meetings thereof;(f) Assist the Chairman in determining the annual Board plan and the administration of other strategic issues;(g) Facilitate in the induction of new directors and assist in director training and development. <p>The Company Secretaries are Lim Kui Suang and Paul Ignatius Stanislaus, both of whom are qualified Company Secretaries to act under Section 235 (2) of the CA 2016. The Board, through the NRC, will carry out the performance assessment of the Company Secretaries annually.</p> |

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| | All directors also have direct access to the advice and services of the Company Secretaries. | |
| Explanation for departure | : | |
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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> | | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Board meeting materials and meeting minutes are covered under Paragraph 3.7 (c) and (e) of the Board Charter.</p> <p>The Company Secretary together with the MD/the Chief Executive Officer ("CEO") (where is applicable) are responsible for the preparation and the circulation of board papers.</p> <p>All directors are provided with agenda, minutes of the previous meeting and a set of comprehensive reports or write-ups on matters to be discussed ("Board Papers") circulated at least five (5) business days before a board meeting to ensure that Directors are well informed and have the opportunity to seek additional information and are able to obtain further clarifications should such a need arise. Where necessary, the services of other senior management or external consultants will be engaged to clear any doubt or concern.</p> <p>The Company Secretary is responsible for the integrity of the board documents, including the Minutes of the Board Meetings ("Board Minutes"). The Board shall ensure that Board Minutes are a concise summary of the matters discussed at a board meeting and contain a brief reference to relevant Board Papers tabled plus any official resolutions adopted by directors. All decisions will be recorded in Board Minutes.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Board has a Board Charter which serves as a primary reference for all directors including prospective directors of their fiduciary duties as directors of the Company.</p> <p>The Board Charter, which is periodically reviewed to be in line with regulatory changes and the necessary update. The latest revised Board Charter has been approved by the Board on 9 July 2018 and it is available on the Company’s website at www.southernacids.com .</p> <p>The Board Charter provides guidance on the specific roles and responsibilities for the following:-</p> <ul style="list-style-type: none"> ❖ The role of Chairman; ❖ The role of the Managing Director; ❖ The role of the Board; ❖ The role of the Senior Independent Director; ❖ The role of the Board Committees; ❖ The role of the Company Secretary; and ❖ Matters reserved for the Board. <p>In addition, matters reserved for the Board are stated under Paragraph 3.3.2 of the Board Charter.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 3.1

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

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company has establishes a corporate culture which engenders code of conduct and ethics throughout the Group. It provides an ethical framework to guide behaviours and actions all Directors and its employees of the Company while at work.</p> <p>The Code of Conduct & Ethics is available on the Company’s website at www.southernacids.com. Internally it is also available at the Company’s public folder so that all levels of employees in the Group have unrestricted access to this document anytime and whenever is necessary.</p> <p>In line with good governance practices, all directors and employees are encouraged to report of inform their respective superior in the event of suspected inappropriate behaviour or misconduct of the principles set out in the Code of Conduct & Ethics. No individual will be discriminated or suffer any act of retaliation for reporting in good faith.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In line with the Company’s commitment to the highest possible standards of ethical, moral and legal business conduct and an open communication, the Board through the AC, has formalized the Company’s Whistleblower Policy including a FAQs with the aim to provide employees, customers and vendors an avenue to raise matter of serious concern that could have an impact on the Company.</p> <p>The AC is responsible for overseeing the implementation of the Whistleblower Policy for the Group’s employees. The AC Chairman who is also the Senior Independent Non-Executive Director is responsible for receiving whistleblower reports made by employees as well as external parties as prescribed under the Whistleblower Policy. The dedicated email for this purpose is sab.whistle@gmail.com .</p> <p>The Whistleblower Policy is available for viewing on the Company’s website at www.southernacids.com .</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>As at 31 March 2018, the Board consists of eight members, comprising the following:-</p> <ul style="list-style-type: none">❖ Two (2) Executive Directors;❖ Two (2) Non-Independent Non-Executive Directors; and❖ Four (4) Independent Non-Executive Directors. <p>The Independent Non-Executive Directors constitute 50% of the Board composition and the Chairman is an Independent Non-Executive Director.</p> <p>The Board through the NRC, assesses the independence of the Independent Non-Executive Directors annually.</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 4.2

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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| Application | : | Applied - Annual shareholders' approval for independent directors serving beyond 9 years | |
| Explanation on application of the practice | : | The Company has only one (1) director whose tenure in the 10 th year this year. | |
| 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 4.3 - Step Up

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

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 4.4

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board through the NRC, is responsible to ensure that the Company recruits, retains, trains and develops the best available executive and non-executive directors including effectiveness of renewal and succession planning. In line with Paragrah 2.20A of the Bursa Malaysia MMLR, each of the Board members, CFO must have the suitable character, relevant experience, unquestionable integrity, competence and time in discharging their respective roles respectively effectively.</p> <p>The key roles and responsibilities have been clearly specified in TOR of the NRC. There are as follows:-</p> <ul style="list-style-type: none">❖ To review the policy on board composition and determine the mix of skills, experience and other qualities. Including core competencies of non-executive Directors annually;❖ To review succession planning for senior management, including nominations to the Board of Directors of the Company, and the appointment of the CEO and the CFO;❖ To establish clear and appropriate criteria to assess the effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual Director and each member of the Board Committees including the assessment of the independence of the Independent Director on an annual basis;❖ To establish and review the criteria on the selection and recruitment process and policy on board composition, taking into consideration the suitability of candidates against consideration such as competencies, commitment, contribution and performance, including the current composition of Board and Board Committees, mix of skills and experiences of directors, independence and diversity (including gender diversity) on an annual basis. <p>The TOR of the NRC is available for viewing at the Company's website at www.southernacids.com.</p> |
| Explanation for departure | : | |

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

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| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Currently there is only one women Director on the Board. | |
| | | The Board acknowledges that the MCCG 2017 encourages 30% women representation in the Board composition and at the same time the Board believes it should not set a target just to fill the required vacancy for gender diversity as the over-riding criteria for assessment and selection should be based on the merit of individual that best fits the Company requirements. | |
| <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 4.6

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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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The NRC leverages on various sources for wider pool of potential candidates. In addition to the recommendation from internal sources, the Board will also source externally via industry acquaintance and industry practitioners for recommendations.</p> <p>Recommended candidate will be submitted to the NRC for its assessment and selection process.</p> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.7

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

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| Application | : | Applied | |
| Explanation on application of the practice | : | The NRC is chaired by Mr. Chung Kin Mun, the Senior Independent Non-Executive Director. | |
| Explanation for departure | : | | |
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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> | | | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board through the NRC, has established a clear and appropriate criteria to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director including the assessment of the independence of the Independent Director on an annual basis.</p> <p>During the financial year, the NRC met twice with full attendance to review and assess based on its criteria for the following:-</p> <p>1. Individual Directors</p> <p>The performance of the Individual Directors was assessed on Board Effective Assessment (also known as Peer Assessment) based on the following criteria and ratings will be given for each criteria:-</p> <ul style="list-style-type: none">❖ Contribution of Interaction❖ Quality of Input❖ Understanding of Role❖ Mix of Skill/Expertise namely knowledge, skills, mindset and intrinsic values. <p>2. SAB Board</p> <p>The Annual Assessment of the Board was assessed based on whether “Meets Requirements under MCGG” or “Significant Gaps under MCGG” as follows:</p> <ul style="list-style-type: none">❖ Board Structure❖ Board Operation and Interaction – Structure and Procedures❖ Board Roles and Responsibilities |

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| | <p>3. Board Committees namely AC and NRC</p> <p>The evaluation of the Board Committees Effective Assessment is based on the following criteria and ratings will be given for each criteria:-</p> <ul style="list-style-type: none"> ❖ Shares information or insights ❖ Participates actively in Committee activities, works constructively with peers ❖ Takes strong constructive stands at Committee meetings where necessary ❖ Confronts conflicts and provides solutions ❖ Provides logical honest opinions on issues presented ❖ Provides unique insight to issues/matters presented – has valuable skills ❖ Priorities context of issues to be in line with objectives and offers practical/realistic advise ❖ Applies analytical and conceptual skills to the decision-making process ❖ Communicates persuasively in a clear and non-confrontational manner ❖ Well prepared and adds value to Committee meetings ❖ Takes initiative to request for more information ❖ Ensures that individual contribution is relevant and up-to-date with developments ❖ Focuses on accomplishing the objectives ❖ Assesses and link short-term issues to the long-term strategy | |
| <p>Explanation for departure</p> | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | | |
| <p>Timeframe</p> | | |

Intended Outcome

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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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The Board through the NRC, review the remuneration of Directors and that the remuneration packages are determined based on the merit of the Directors and the Management, qualification and competence, having regard to the Company's operating results, individual performance and comparable market statistics. The Management remuneration will be reviewed by the MD and Executive Director.</p> <p>The recommendation of Directors' fees and benefits payable are subject to the shareholders' approval at the forthcoming Annual General Meeting ("AGM") to be held on 30 August 2018.</p> <p>As a matter of practice, the Directors concerned abstained from deliberation and voting on their own remuneration at Board meetings.</p> <p>The policy and procedures to determine the remuneration of Directors and the Management are not published 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 | : | | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The NRC comprises wholly of Independent Non-Executive Directors. The TOR of the NRC spell out the respective roles and responsibilities in relation to the nomination and remuneration matters respectively and it is available for viewing at the Company's website at www.southernacids.com . |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

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

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| Application : | Applied | | | | | | | | |
| Explanation on application of the practice | In line with best corporate governance, the disclosure of the Directors' remuneration on a named basis are tabulated as follows:- | | | | | | | | |
| | | Company | | | | | | Subsidiary | Group |
| | | Fees (RM) | Salaries (RM) | Bonus (RM) | Meeting Allowance (RM) | Benefits -In-kind (RM) | Total (RM) | Fees (RM) | Total (RM) |
| | Executive Directors | | | | | | | | |
| | Dr. Nick Low | 50,000 | 366,000 | 154,250 | 6,400 | 35,200 | 611,850 | 37,236 | 649,086 |
| | Lim Kim Long | 50,000 | 246,000 | 101,750 | 8,000 | 12,235 | 417,985 | 37,236 | 455,221 |
| | Non-Executive Directors | | | | | | | | |
| | Tan Sri Datuk Seri Panglima Sulong Matjeraie | 74,000 | - | - | 6,400 | - | 80,400 | - | 80,400 |
| | Chung Kin Mun | 74,000 | - | - | 12,800 | - | 86,800 | - | 86,800 |
| | Tan Sri Dato' Low Boon Eng | 50,000 | - | - | 3,200 | 15,500 | 68,700 | - | 68,700 |
| | Mohd Hisham Harun | 50,000 | - | - | 3,200 | - | 53,200 | - | 53,200 |
| | Leong So Seh | 50,000 | - | - | 8,000 | - | 58,000 | - | 58,000 |
| | Teo Leng | 50,000 | - | - | 6,400 | - | 56,400 | 37,236 | 93,636 |
| | Raymond Wong Kwong Yee ^ | 19,863 | - | - | 2,400 | - | 22,263 | - | 22,263 |
| ^ Retired on 23 August 2017 | | | | | | | | | |
| 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 | : | The Board is of the view that disclosure of remuneration of the Management staff on named basis will be disadvantage to the Company's business interests. The current human capital environment for key personnel with the right skills set, the requisite knowledge, expertise and experience are very competitive. In addition, such disclosure may give rise to recruitment and talent retention issues. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | <p>The top five (5) Management (excluding executive directors) of the Group are Mr. Cheong Kee Yoong, Mr. Alex Chan Choon Hoong, Mr. Tiong Chuu Ling and Mr. Lee Choo Chai and Madam Tan Suet Guan (for more information, please refer to pages 33 to 34 of the Company AR 2018).</p> <p>The aggregate remuneration of the Management paid in 2018 was RM3.2 million.</p> <p>The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefit-in-kind and other emoluments. This is based on their individual performance and the overall performance of the Group.</p> |
| Timeframe | : | |

Intended Outcome

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

Practice 7.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The AC consists of three (3) members, all of whom are Independent Non-Executive Directors. The AC Chairman is Mr. Chung Kin Mun, who is not 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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company does not have a policy on this matter. However, none of the members of the AC was former key audit partner of the Company. | |
| | | | |
| <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 data-bbox="555 674 1406 779">: The AC has established procedures and criteria to assess the suitability and independence of the Company’s external auditors namely Deloitte PLT . The procedures and the criteria are as follows:-</p> <table border="1" data-bbox="603 813 1406 1964"> <thead> <tr> <th data-bbox="603 813 667 846"></th> <th data-bbox="667 813 970 846">Procedure</th> <th data-bbox="970 813 1406 846">Assessment Criteria</th> </tr> </thead> <tbody> <tr> <td data-bbox="603 846 667 1397">1</td> <td data-bbox="667 846 970 1397">Internal Assessment</td> <td data-bbox="970 846 1406 1397"> <ul style="list-style-type: none"> • engagement team’s qualifications; • the firm’s competitive advantage with its global network; • their ability to provide value added advice and services; • perform its work within Bursa’s tight deadline; • its performance during the audit period; and • quality of its communication skills with AC and the Company. </td> </tr> <tr> <td data-bbox="603 1397 667 1964">2</td> <td data-bbox="667 1397 970 1964">Written confirmation from Auditors’ Independence Policies</td> <td data-bbox="970 1397 1406 1964"> <ul style="list-style-type: none"> • that generally no partner or employee (or their financial dependents) are allowed to hold a financial interest in our Company (unless otherwise expressly permitted); • no partner or employee (or their financial dependents) should enter into business relationships with our Company; • prohibit any professional employee from accepting gifts unless the value is clearly insignificant, trivial and inconsequential; </td> </tr> </tbody> </table> | | Procedure | Assessment Criteria | 1 | Internal Assessment | <ul style="list-style-type: none"> • engagement team’s qualifications; • the firm’s competitive advantage with its global network; • their ability to provide value added advice and services; • perform its work within Bursa’s tight deadline; • its performance during the audit period; and • quality of its communication skills with AC and the Company. | 2 | Written confirmation from Auditors’ Independence Policies | <ul style="list-style-type: none"> • that generally no partner or employee (or their financial dependents) are allowed to hold a financial interest in our Company (unless otherwise expressly permitted); • no partner or employee (or their financial dependents) should enter into business relationships with our Company; • prohibit any professional employee from accepting gifts unless the value is clearly insignificant, trivial and inconsequential; |
| | Procedure | Assessment Criteria | | | | | | | | |
| 1 | Internal Assessment | <ul style="list-style-type: none"> • engagement team’s qualifications; • the firm’s competitive advantage with its global network; • their ability to provide value added advice and services; • perform its work within Bursa’s tight deadline; • its performance during the audit period; and • quality of its communication skills with AC and the Company. | | | | | | | | |
| 2 | Written confirmation from Auditors’ Independence Policies | <ul style="list-style-type: none"> • that generally no partner or employee (or their financial dependents) are allowed to hold a financial interest in our Company (unless otherwise expressly permitted); • no partner or employee (or their financial dependents) should enter into business relationships with our Company; • prohibit any professional employee from accepting gifts unless the value is clearly insignificant, trivial and inconsequential; | | | | | | | | |

| | | | |
|--|---|---|--|
| | | | <ul style="list-style-type: none"> • provide safeguards against potential conflict of interests; and • communicate in writing to the AC all breaches of independence set out in the International Ethics Standards Board for Accountants Code of Ethics. |
| | 3 | Assurance from the Auditors Rotation of Partners and Managers | <ul style="list-style-type: none"> • for engagement partners, including engagement quality control review partners are required to rotate after five consecutive years acting in the role under the Bursa Malaysia MMLR; and • for engagement managers of Public Interest Entities, Deloitte PLT's internal policies require that they rotate after seven consecutive years plus another three years with approval from the firm's Risk Partner. |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|--|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | The Company does not have a policy on this. However, the current AC comprises solely of Independent Non-Executive Directors. |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman of the AC, Mr. Chung Kin Mun holds a Bachelor of Business (Accounting) from the Phillip Institute of Technology, Australia and is a member of CPA Australia. All members of the AC are financially literate and carried out their duties in accordance with the TOR of the AC.</p> <p>The Board, through the NRC, reviews the terms of office of the AC and assesses the performance of the AC and each of its members annually.</p> <p>All members of the AC have undertaken continuous professional development during the financial year 2018. The training programmes attended by the AC members are stated in the Corporate Governance Overview Statement on pages 36 to 42 of the Company's AR 2018.</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 make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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

Practice 9.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board through the AC is responsible to maintain a sound system of enterprise risk management (“ERM”) and internal control to safeguard the Company’s investment and assets and to review the adequacy and effectiveness of the risk management and internal control.</p> <p>In assisting the AC to discharge its functions, Tricor Roots Consulting Sdn Bhd (“TRC”) and Axcelasia Columbus Sdn Bhd (“Axcelasia”), the outsourced internal auditor (“OIA”) have been engaged to advise the Company’s ERM framework and to carry out the internal audit assignments respectively.</p> <p>The Company is using TRC’s Corporate Risk Scorecard and Q-Radar System for its ERM framework which is being implemented gradually. Q-Radar System software is used to support ERM process.</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 make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

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

Practice 9.2

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>Main Features of ERM Framework</p> <p>The following are the main key feature of the Group's ERM framework:-</p> <ul style="list-style-type: none">• Stage 1 Development of the ERM Policy and Framework;• Stage 2 Risk Awareness Program;• Stage 3 Development of Corporate Risk Scorecard;• Stage 4 Development of Key Risk Indicators; and• Stage 5 Automation of Incident Reporting and user training <p>Main Features of Internal Control System</p> <p>The following are the key features of the Group's internal control system:-</p> <ol style="list-style-type: none">1. <u>Organisation Structure</u> This is in place which formally defines lines of responsibilities, delegation of authority, and accountability for operation performance.2. <u>Centralised Key Functions</u> The functions involved finance, investment, treasury, corporate affairs, compliances, tender committee, purchasing and human resources (for certain senior positions) to ensure consistency, efficiency, adherence to authority limits, policies and procedures.3. <u>Operational Controls</u> There are level of authority for each level of management staff, appropriate approval processes are in place, and annual budgeting process which include target setting process.4. <u>Financial Reporting Controls</u> |

| | |
|---|---|
| | <p>Financial, non-financial and operating performance reports are generated on a regular, consistent basis and deliberated at the Board, AC and appropriate management meetings respectively. Where necessary, the heads of segment or relevant employees will be invited to attend AC meeting to provide clarification on any areas that concern the committee.</p> <p>5. Internal Audit The OIA which reports directly to the AC will assess the adequacy and integrity of the system of internal control, and the effectiveness of the processes. The OIA will carry out the annual audit plan that is approved by the AC, with the objective to cover at least one cycle of internal audit for each of the segments in every financial year. An OIA Report detailing the scope of works, findings and recommendations will be shared with the auditee segment and presented to the AC on regular basis.</p> <p>6. External Audit Deloitte PLT performs an evaluation of the design and implementation of the internal controls that are relevant to their annual audit and may report and make recommendation to the AC and management any identified procedures, controls and other aspects that needs improvement which may come to their attention.</p> <p>7. Whistleblower Policy The policy provides an avenue for employees and stakeholders to raise matters of serious concerns which could have an impact on the Group. Under the policy, a whistleblower is assured of confidentiality of matter reported and protection against retaliation.</p> <p>For detailed information, please refer to the Statement on Risk Management and Internal Control are set out on pages 50 to 51 of the Company's AR 2018.</p> |
| <p>Explanation for departure :</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |
| <p>Measure :</p> | |
| <p>Timeframe :</p> | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|--|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | The functions of the risk management are currently carried out through the AC. |

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 Group has in place an OIA, Axcelasia, which provides the Board, through the AC, with independent assurance on the adequacy and operating effectiveness of the Group’s system of internal controls and risk management.</p> <p>The OIA reports directly to the AC. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes are conducted by OIA to ensure that the system is viable and robust.</p> <p>The internal audit reports are presented and tabled at the AC meetings. Details of actual work carried out by the OIA, together with its scope of coverage, for the financial year under review are set out in the Audit Committee Report on pages 44 to 48 of the Company’s AR 2018.</p> <p>The AC assesses the effectiveness of the OIA and its resources on an annual basis.</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's OIA is Axcelasia, and the internal audit staffs on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The number of staff deployed for the internal audit reviews is ranging from four (4) to five (5) staff per visit including the Engagement Partner. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia.</p> <p>The Engagement Partner is Mr Ranjit Singh a/l Taram Singh who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. Ranjit is a Certified Internal Auditor (United States) and has a Certification in Risk Management Assurance (United States).</p> <p>The internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework.</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 is actively engages with its stakeholders via various platform including leverages on a number of formal channels for effective dissemination of information to shareholders and its stakeholders.</p> <p><u>Announcements via Bursa LINK</u> Annual Report, quarterly announcements of financial results, securities, relevant announcements and circulars, annual and extraordinary general meeting are disseminate timely via Bursa LINK as well as on Company's website.</p> <p><u>Annual reports</u> Comprehensive information on the Company's financial results as well as various activities undertaken by the Board are communicates with the shareholders and stakeholders via annual reports.</p> <p><u>General meetings</u> These provide the principal forum for dialog and for the shareholders to interact with the Board and the Management. Shareholders will be briefed on the Company's financial results as well as its outlook and challenges for the next financial year. The Board and the Management will be present to answer queries from the shareholders. Written queries raised by Minority Shareholder Watchdog Group will be presented during the general meetings together with the Company's reply.</p> <p><u>Investor Relations Activities</u> During the financial year, the Company had met with two (2) research houses respectively. In addition, the Company had also met with institutional investors in two (2) separate occasions which initiated by the two (2) research houses respectively.</p> <p><u>Investor Relations Contact Point</u></p> |

| | | |
|---|---|--|
| | <p>To facilitate the continuous communication between the Company and its stakeholders, the Company's website has included a dedicated section for shareholders and investor relations. Any enquiries on investor related matters are encouraged to direct their enquiries to our CFO, Mr. Cheong Kee Yoong @ kycheong@southernacids.com;</p> | |
| <p>Explanation for departure</p> | | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | | |
| <p>Timeframe</p> | | |

Intended Outcome

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 MCCG 2017 for the time being. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The notice period given for the Company's Thirty-Sixth ("36th") Annual General Meeting ("AGM") in 2017 was more than 21 days. The notice was sent on 28 July 2017 and the date of the 36th AGM was held on 23 August 2017.</p> <p>For the coming Thirty-Seventh ("37th") AGM in 2018, the notice will be sent out on 30 July 2018 and the AGM is scheduled on 30 August 2018. The notice period is more than 28 days.</p> <p>The notice period given was well in advance of the 21-day requirements under the CA 2016 and the Bursa Malaysia MMLR. The additional time given to the shareholders would allow them to have sufficient time to scrutinise the annual report and to make necessary arrangement to attend the meeting.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.2

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>All the Directors of the Company had attended the last AGM held on 23 August 2017. The Chair of the Audit, Nomination and Remuneration Committees were present to response to any questions addressed to them.</p> <p>During the questions and answers (Q&A) session of the general meetings, the Chairman invited shareholders to raise questions pertaining to the agenda and resolutions tabled before putting them for voting. The Directors, including the CFO, the Management and external auditors were in attendance to respond to the shareholders' queries.</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 | : | <p>The Company has 2,491 shareholders as at 29 June 2018 and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>The current Company's Constitution convening of the general meetings does not allow shareholders to attend general meetings remotely in line with the expectations of the MCCG 2017.</p> <p>The venue of the general meetings has always been in the Klang Valley. The upcoming 37th AGM on 30 August 2018 will be held at Setia City Convention Centre, Setia Alam, Shah Alam, Selangor.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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