

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5143
COMPANY NAME : Luxchem Corporation Berhad
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter sets out clearly the responsibilities of the Board, which ensures that the Board members are aware of their roles and duties and serves as a source of reference to all stakeholders. The Board Charter, including the Terms of Reference of the Board Committees, is made available on the Company's website at www.luxchem.com.my.</p> <p>Key matters reserved for the Board's collective decision are, among others, the following:</p> <ol style="list-style-type: none">1) Acquisition of Companies/ Mergers and Acquisitions2) Declaration of Dividends3) Board Appointments and Removals4) Terms of Reference of Board Committees <p>Having defined clearly the roles and responsibilities of the Board, the Board collectively provides the leadership and is collectively responsible for the direction of the Company to meet its goals and objectives.</p> <p>During the financial year ended 31 December 2019 ("FY2019"), the Board promotes good corporate governance culture with the Company which is founded on the principles of transparency, objectivity and integrity. The Company has formalised its ethical values under the Directors' Code of Best Practice. In discharging its responsibilities, the Board is guided by the code of ethics contained in the Directors' Code of Best Practice. The details of the Directors' Code of Best Practice can be found in the Board Charter of the Company.</p> <p>The Board has delegated its duty to Audit & Risk Management Committee ("ARMC") to ensure the integrity of the Company's financial and non-financial reporting. The Board is provided with appropriate and timely information to enable it to discharge its duties effectively. The Board, with ARMC's recommendation, met</p>

	<p>quarterly to review the financial performance of the Company. The Board reviews the quarterly results and has the authority to examine any specific issues which may arise. The Board ensures that the quarterly results comply with the Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting and Part A of Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and be guided by Guidance on Disclosure in Notes to Quarterly Report issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).</p> <p>Please refer to the ARMC Report of the Annual Report 2019 for further details.</p> <p>During the FY2019, the Board acknowledges its responsibility towards maintaining an effective risk management and internal control system to safeguard shareholders’ investments and the Group’s assets. The Board had ensured that internal controls and risk management framework which was established in 2018, remains relevant and applicable to the Company and its subsidiaries (“Group”).</p> <p>Please refer to Statement of Risk Management and Internal Control of the Annual Report 2019 on the detailed implementation of the above.</p> <p>The Board also reviews the Management Discussion and Analysis of the Company which discusses and analyses the Group business, operations and performance (including financial performance) during the FY2019 and this can be found in the Annual Report 2019.</p> <p>The Board ensures that the Company has in place procedures to enable effective communication with various stakeholders. The Company holds its Annual General Meeting (“AGM”) and responds to all shareholders’ concerns. The Company is under the Bursa Mid and Small Cap (MidS) Scheme and meets the appointed research houses on a quarterly basis.</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 Chairman of the Company is an Independent Non-Executive Director who was appointed on 15 May 2008. He is primarily responsible for instilling good corporate governance practices, leadership and effectiveness of the Board to ensure the smooth functioning of the Board in the interest of good corporate governance.</p> <p>The responsibilities of the Chairman are clearly set out in the Board Charter and published on the Company's website at www.luxchem.com.my.</p> <p>During the FY2019, the Chairman led the Board in setting the policies for the Company to meet its goals and objectives and provided leadership for the Board to enable the Board to perform its responsibilities effectively.</p> <p>There was a change of Chairman on 13 March 2020. A new Independent Non-Executive Chairman has been appointed on 13 March 2020 to replace with the outgoing Non-Executive Chairman.</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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Managing Director/ Chief Executive Officer (“MD/CEO”) are held separately to ensure balance of power, accountability and division of roles and responsibilities of the Board and the Management of the Company’s business and operations.</p> <p>The Board has clearly defined the respective functions of the Chairman and the MD/CEO. Formal position descriptions for the Chairman and MD/CEO outlining their respective roles and responsibilities are set out in the Board Charter.</p> <p>The Chairman is responsible for representing the Board to shareholders. The Chairman is also responsible for ensuring the integrity and effectiveness of the governance process of the Board and maintaining regular dialogue with the MD/CEO in its collective oversight over all operational matters of the Group and will consult with the Board promptly over any matter that gives him cause for concern.</p> <p>All Board authority conferred on Management is delegated through the MD/CEO so that the authority and accountability of management is considered to be the authority and accountability of the MD/CEO so far as the Board is concerned.</p> <p>The MD/CEO focuses on the business and day-to-day management of the Company and is accountable to the Board for the achievement of the Company’s goals and Group’s business performance.</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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is assisted by three (3) qualified and competent Company Secretaries. Two (2) of them are members of Malaysian Institute of Accountants ("MIA") whilst the other is a member of Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>During the FY2019, the Company Secretaries performed the following tasks:</p> <ul style="list-style-type: none">a) Provided support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group;b) Played an advisory role to the Board, particularly with regards to the Company's Constitution, Board's policies and procedures as well as updating the Board on compliance with regulatory requirements, codes, guidelines, legislations from time to time;c) Monitored corporate governance developments and assisted the Board in adhering to the principles and practices of best corporate governance practices to meet the Board's needs and stakeholders' expectations; andd) Managed all Board, Board Committees, attended the meetings and ensure that deliberations and decisions at the meetings are accurately minuted, including whether any Director abstained from voting or deliberating on a particular matter and kept in the minutes books and subsequently communicated to the relevant parties for necessary actions. <p>All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries shall be the prerogative of the Board as a whole.</p> <p>As the Company Secretaries keep Directors and shareholders informed of their legal responsibilities and ensure documents relating to the management of the Company are up to date and correct, the Board is able to run the Company more effectively to ensure all the objectives and goals are met.</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 1.5

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>The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group.</p> <p>Directors have full and unrestricted access to all information pertaining to the Group's business and affairs including major financial, operational and corporate matters.</p> <p>The Board and/or Board Committees papers are prepared and distributed to the Directors and/or Committee Members at least five (5) business days before the Board and/or Board Committees' meetings to allow the Board and/or Committee Members to receive the information in a timely manner.</p> <p>Notices of meetings are circulated at least five (5) business days before the Board and Board Committees' meetings. Urgent matters falling outside these timing requirements are allowed, subject to the Board Chairman's approval.</p> <p>Upon conclusion of meetings, the Company Secretaries circulates the minutes, ensuring the minutes of meetings accurately reflect the deliberations and decisions of the Board.</p> <p>As meeting materials are distributed in advance, all Board members can prepare ahead and contribute effectively during the meetings. With prompt distribution of minutes, the Board is promptly notified and reminded on actions and plans. This has aided the Company in decision making to achieve stable growth since its listing.</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	:		
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Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has defined and formalised its Board Charter. The Board Charter was reviewed on 29 July 2019 and 24 October 2019 respectively, and published on the Company's website at www.luxchem.com.my. Board Charter serves as a reference for the fiduciary duties as a Director of the Company (inclusive of Senior Independent Director) and the functions of the Board Committees.</p> <p>The Board reviews the Board Charter annually and make necessary amendments to ensure that they remain relevant and consistent with the Board's objective, current law and best practices to enable the Board to discharge its responsibilities effectively.</p> <p>The Board Charter regulates how the Company's business is conducted. The Board is able to conduct the business within the principles of good corporate governance. With expectations on the Board collectively, and individual roles clearly defined, it has contributed towards the growth of 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

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the FY2019, the Board has updated its Directors' Code of Best Practice on 29 July 2019 and 24 October 2019 respectively. The Directors' Code of Best Practice, which includes anti-money laundering, anti-corruption and abuse of power, aims to guide employees and the Board on the approach to promote good corporate behaviour. The revised Directors' Code of Best Practice as contained in the Board Charter can be found at the Company's website at www.luxchem.com.my.</p> <p>Board members are required to declare any personal, professional or business interests that may conflict with Directors' responsibilities in discharging their fiduciary duties.</p> <p>All senior management are required to disclose their business interest, if any, in companies which are a supplier to the Company. This declaration is made on an annual basis.</p> <p>The Board had also extended the Code of Best Practice to all the Heads of Department and Group employees of the main subsidiaries who perform sales function. The Board intended that this exercise be carried out on annual basis with effect from FY2019.</p> <p>The Company's code of ethics allows all staff to hold themselves to the highest standards in any given behaviour or action, in the course of conducting business. The ethical conduct of business has led to sales growth due to the reliability of the Company as a trusted chemical supplier.</p>
Explanation for departure	:	

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

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 established a Whistleblowing Policy in 2018 which available on the Company's website at www.luxchem.com.my. Posters are placed in all offices to create awareness among the employees. The Whistleblowing Committee comprises three (3) Independent Non-Executive Directors.</p> <p>The Whistleblowing Policy provides a structured reporting channel and guidance to all stakeholders to provide information on fraud, wrongdoings or non-compliance to any rule or procedure by stakeholders within the Group.</p> <p>Disclosure of information to be made by the whistle blowers to any of the Whistleblowing Committee members.</p> <p>Whistle blowers may write to whistleblowing@crowe.my to communicate on any information about fraudulent actions and breaches of ethics directly. Recipient of the email is an independent party.</p> <p>The identity of the whistle blowers is kept confidentially by the Whistleblowing Committee and the Management.</p> <p>During the FY2019, no whistleblowing reports were made to the Committee members.</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

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	:	<p>The Board consists of Executive and Non-Executive Directors. The Board comprises six (6) members, where three (3) of the Directors or half of the Board are Independent Non-Executive Directors.</p> <p>These Independent Directors provide a diversity of perspective and view that allows for more robust, thoughtful discussions and a detailed vetting of proposals. The diversity in views enables decisions to be made based on a more thorough analysis of matters arising, and therefore, decisions are made more objectively.</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.

Application	:	Not applicable - No independent director(s) serving beyond 9 years								
Explanation on application of the practice	:	<p>The length of tenure of the three (3) Independent Non-Executive Directors of the Company have exceeded a cumulative term of nine (9) years from the date of their appointment to the Board as follows:</p> <table border="1"><thead><tr><th>Name of Directors</th><th>Year</th><th>Length of Tenure of Independent Directors</th></tr></thead><tbody><tr><td>Dato' Haji Mokhtar Bin Haji Samad</td><td rowspan="3">12</td><td rowspan="3">15 May 2008 to 13 March 2020</td></tr><tr><td>Mr Chan Wan Siew</td></tr><tr><td>Mr Au Chun Choong</td></tr></tbody></table> <p>At the Company's AGM held on 3 May 2019, the Company had obtained shareholders' approval for the retention of the above three (3) Independent Non-Executive Directors.</p> <p>However, in 2020, three (3) new Independent Directors were appointed to the Board on 13 March 2020. They are Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong. These appointments also concurrent with the resignation of the existing Independent Non-Executive Directors, which are Dato' Haji Mokhtar Bin Haji Samad, Mr Chan Wan Siew and Mr Au Chun Choong on the same date, i.e. 13 March 2020 who have served the Board for more than 10 years since 15 May 2008.</p> <p>As such, none of the Independent Non-Executive Directors are subject to shareholders' approval to retain them as independent directors at the forthcoming AGM.</p>	Name of Directors	Year	Length of Tenure of Independent Directors	Dato' Haji Mokhtar Bin Haji Samad	12	15 May 2008 to 13 March 2020	Mr Chan Wan Siew	Mr Au Chun Choong
Name of Directors	Year	Length of Tenure of Independent Directors								
Dato' Haji Mokhtar Bin Haji Samad	12	15 May 2008 to 13 March 2020								
Mr Chan Wan Siew										
Mr Au Chun Choong										
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.

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.

Application	: Applied
Explanation on application of the practice	<p>The Board consists of three (3) Executive Directors (inclusive of MD/CEO) and three (3) Non-Executive Directors.</p> <p>The Board is qualified, with diverse skills and experience to assess risk, anticipate challenges and identifying opportunities. The Company attributes its growth as partly due to its Board composition, as it gives the advantage to the Board by adding varying perspectives when deliberating and making its decisions.</p> <p>Before recommending candidates to be appointed by the Board, the Nominating Committee would apply the following criteria in screening and evaluating new candidates:</p> <ul style="list-style-type: none">a. skills, knowledge, expertise and experience;b. professionalism;c. integrity;d. education;e. cultural background;f. gender;g. time commitment; andh. in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidate's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors; <p>Upon selection and appointment, a formal invitation to join the Company as a Board member would be extended by the Chairman of the Board.</p> <p>There were no changes of Directors during the FY2019.</p> <p>The composition of the Board is well balanced to address any business challenges and to drive the business of the Group to greater heights.</p> <p>There is no new appointment to the position of senior management in FY2019. When appointing senior management in the Group, the assessment will take into consideration criteria point (a) to point (g) as stated above in determining the overall suitability of the candidate.</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 Company has met the nation's target of 30% representation of women directors on the board of public listed companies.</p> <p>For the FY2019, out of the six (6) Board members, two (2) of them are female Directors, which represents 33.33% of the total Board members.</p> <p>The appointment of Madam Chin Song Mooi and Madam Chen Moi Kew to the Board is evidence that the Board does not consider gender as a prerequisite to the directorship although the Board has no plan to implement a diversity policy. The directorship is dependent on each candidate's skills, experience, core competencies and other qualities.</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 4.6

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 is of the opinion that the current Board members, including the newly appointed Independent Non-Executive Directors in 2020 are able to meet the requirements of the Company for now. With the three (3) independent directors came on board on 13 March 2020, the Company does not have any intention of appointing new Independent Non-Executive Directors for now or in the near future. If the new appointment of Independent Non-Executive Director is necessary, the Company will use independent sources for sourcing suitably qualified candidates.	
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 Nominating Committee is responsible for overseeing and reviewing, on an annual basis, the skills, experience, knowledge, time commitment, integrity, and characteristics required of the Directors and the Board's effectiveness in considering the needs of the Group and its business. The Terms of Reference of the Nominating Committee and Senior Independent Director is included in the Board Charter and available on the Company's website at www.luxchem.com.my.</p> <p>In order to ensure that the selection and evaluation of Directors are done objectively, the Nominating Committee members are solely made up of Independent Directors and the said Committee is chaired by the Senior Independent Non-Executive Director. Mr Chan Wan Siew is the Senior Independent Non-Executive Director to whom concerns on matters relating to group of companies could be conveyed. As at the date of this Corporate Governance Report, the members are as follows:</p> <p><u>Chairman</u></p> <ul style="list-style-type: none">• Mr Chan Wan Siew (Senior Independent Non-Executive Director) <p><u>Member</u></p> <ul style="list-style-type: none">• Mr Au Chun Choong (Independent Non-Executive Director)• Dato' Haji Mokhtar Bin Haji Samad (Independent Non-Executive Chairman) <p>With the resignation of the Independent Non-Executive Directors, which are Mr Chan Wan Siew, Dato' Haji Mokhtar Bin Haji Samad and Mr Au Chun Choong on 13 March 2020, the new Chairman and Members of Nominating Committee effective 13 March 2020 are as follows:</p> <p><u>Chairman</u></p> <ul style="list-style-type: none">• Mr Tan Teck Kiong (Independent Non-Executive Director) <p><u>Member</u></p> <ul style="list-style-type: none">• Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali (Independent Non-Executive Director)• Datuk Kwan Foh Kwai (Independent Non-Executive Chairman) <p>As of to-date, the Company has not appointed any Senior Independent Non-Executive Director after the resignation of Mr Chan Wan Siew, the former Senior Independent Non-Executive Director of the Company on 13 March 2020. Senior Independent Non-Executive Director will be appointed once the Company has identified a suitable candidate.</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 Nominating Committee will meet at any time when the need arises. During the financial year under review, the Nominating Committee held meetings on 14 February 2019, 30 April 2019 and 24 October 2019 to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors, the contribution of each individual Director, the effectiveness of the Board as a whole and the Board Committees.</p> <p>The details of attendance of each member at the Nominating Committee meeting are as follows:</p> <table border="1"><thead><tr><th>Name of Committee Members</th><th>Attendance</th></tr></thead><tbody><tr><td>Mr Chan Wan Siew</td><td>3/3</td></tr><tr><td>Mr Au Chun Choong</td><td>3/3</td></tr><tr><td>Dato' Haji Mokhtar Bin Haji Samad</td><td>3/3</td></tr></tbody></table> <p>During the FY2019, the Nominating Committee had carried out evaluation on Board, Board Committees by using various evaluation forms comprising criteria as follows:</p> <p>a) Board and Board Committee Evaluation Form</p> <ul style="list-style-type: none">• Contributions to interactions, roles and duties, knowledge and integrity• Oversight over the effectiveness and quality of the internal and external audits, risk management and internal control and financial reporting• Governance, independence and risk management, ability to discharge roles and duties as well as knowledge and contribution to the Company <p>b) Board Skills Matrix Form</p> <ul style="list-style-type: none">• Assess the composition, knowledge, skills and experience of the Board.	Name of Committee Members	Attendance	Mr Chan Wan Siew	3/3	Mr Au Chun Choong	3/3	Dato' Haji Mokhtar Bin Haji Samad	3/3
Name of Committee Members	Attendance									
Mr Chan Wan Siew	3/3									
Mr Au Chun Choong	3/3									
Dato' Haji Mokhtar Bin Haji Samad	3/3									

c) Directors'/Key Officers' Evaluation Form

- Ability to give input at meetings
- Ability to demonstrate a high level of professionalism and integrity in the decision making process
- Competency and contribution

d) ARMC and ARMC Members' Self and Peer Evaluation Form

- Quality and composition
- Skills and competencies
- Meeting administration and conduct

e) Financial Literacy Questionnaire for ARMC members

- Ability and competency to read, analyse and interpret financial statements

f) Assessment of independence of the Independent Directors

These forms were sent to Directors for their self and/or peer assessment and for them to provide their feedback, views and suggestions for improvement. The results of the assessment were compiled by the Company Secretary and a summary of the evaluations was tabled to the Nominating Committee and Board for review and deliberation on 14 February 2020.

These results form the basis of the Nominating Committee's recommendations to the Board for the re-election and re-appointment of Directors at the AGM. All assessments and evaluations carried out by the Nominating Committee in the discharge of its functions are properly documented.

Based on the assessment conducted for the financial year under review, the Nominating Committee concluded that the existing structure of the Board and Board Committees is appropriate and effective due to the following:

- The Company has a well-balanced Board. It comprises three (3) members all of whom are Independent Non-Executive Directors and three Executive Directors;
- The Board is of the right size and comprises individuals who have diverse skills, knowledge, experience and expertise that combines to provide different perspectives and effective board dynamics. Thus, it enables effective and constructive deliberations whereby any decision made is founded on detailed and balance considerations;
- Each Board member understands its role and responsibilities and is committed in discharging its fiduciary duties; and
- The Board has sound knowledge and understanding of the Group's business and challenges as well as the industry in which the Group operates and is able to chart strategic directions for the Group.

	The Nominating Committee was satisfied with its existing number and composition and is of the view that, with the current mix of skills, knowledge, experience and strength, the Board as a whole is able to discharge its duties effectively.	
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 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board determines the level of remuneration of its Directors which enables the Group to attract, retain and motivate Directors with relevant experience and expertise needed after considering the recommendations of the Remuneration Committee to assist in managing the Group effectively.</p> <p>All Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. Directors do not participate in decisions regarding their own remuneration packages.</p> <p>The Board is remunerated in accordance with the respective qualifications, experience and contribution to the Group.</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 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee is responsible for recommending to the Board, the remuneration of the Executive Directors and Senior Management. Determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, should be determined by the Board of Directors as a whole and the individuals concerned should abstain from discussion their own remuneration.</p> <p>The Remuneration Committee has a written Terms of Reference which deals with its authority and duties and it can be found in the Board Charter on the Company's website at www.luxchem.com.my</p> <p>It is the practice of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.</p>

	<p>The members of the Remuneration Committee are as follows:</p> <table border="1" data-bbox="539 293 1390 770"> <tr> <td data-bbox="539 293 965 465"> Dato' Haji Mokhtar Bin Haji Samad Chairman Resigned: 13 March 2020 </td> <td data-bbox="965 293 1390 465"> Datuk Kwan Foh Kwai Chairman Appointed: 13 March 2020 </td> </tr> <tr> <td data-bbox="539 465 965 633"> Mr Au Chun Choong Member Resigned: 13 March 2020 </td> <td data-bbox="965 465 1390 633"> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Member Appointed: 13 March 2020 </td> </tr> <tr> <td data-bbox="539 633 965 770"></td> <td data-bbox="965 633 1390 770"> Mr Tan Teck Kiong Member Appointed: 13 March 2020 </td> </tr> </table> <p>The Remuneration Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial year under review, the Remuneration Committee had met once on 14 February 2019 to review and assess the remuneration package of the Board members and Senior Management, taking into consideration the skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors and the contribution of each individual Director.</p> <p>The Board believes that the existing remuneration practices and processes are sufficient and producing desired and positive result.</p>		Dato' Haji Mokhtar Bin Haji Samad Chairman Resigned: 13 March 2020	Datuk Kwan Foh Kwai Chairman Appointed: 13 March 2020	Mr Au Chun Choong Member Resigned: 13 March 2020	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Member Appointed: 13 March 2020		Mr Tan Teck Kiong Member Appointed: 13 March 2020
Dato' Haji Mokhtar Bin Haji Samad Chairman Resigned: 13 March 2020	Datuk Kwan Foh Kwai Chairman Appointed: 13 March 2020							
Mr Au Chun Choong Member Resigned: 13 March 2020	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Member Appointed: 13 March 2020							
	Mr Tan Teck Kiong Member Appointed: 13 March 2020							
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.

Application :	Applied																																																																											
Explanation on application of the practice :	<p>The aggregate remuneration paid or payable to all Directors of the Company during the FY2019 is listed on named basis with the detailed remuneration breakdown as follows:</p> <table border="1"> <thead> <tr> <th rowspan="3">Directors</th> <th colspan="6">Remuneration Breakdown</th> </tr> <tr> <th>Fee</th> <th>Salary & Other Emoluments</th> <th>Bonus</th> <th>Benefit-In-Kind</th> <th>EPF & SOCSO & EIS</th> <th>Total</th> </tr> <tr> <th>RM</th> <th>RM</th> <th>RM</th> <th>RM</th> <th>RM</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td colspan="7"><u>Executive Directors</u></td> </tr> <tr> <td>Mr Tang Ying See</td> <td>-</td> <td>960,000</td> <td>340,000</td> <td>28,000</td> <td>156,593</td> <td>1,484,593</td> </tr> <tr> <td>Madam Chin Song Mooi</td> <td>-</td> <td>152,446</td> <td>12,500</td> <td>-</td> <td>20,525</td> <td>185,471</td> </tr> <tr> <td>Madam Chen Moi Kew</td> <td>10,000 *</td> <td>419,564</td> <td>156,762</td> <td>17,400</td> <td>71,106</td> <td>674,833</td> </tr> <tr> <td colspan="7"><u>Non-Executive Directors</u></td> </tr> <tr> <td>Dato' Haji Mokhtar Bin Haji Samad</td> <td>32,000 **</td> <td>5,000</td> <td>-</td> <td>-</td> <td>-</td> <td>37,000</td> </tr> <tr> <td>Mr Chan Wan Siew</td> <td>32,000 **</td> <td>5,000</td> <td>-</td> <td>-</td> <td>1,920</td> <td>38,920</td> </tr> <tr> <td>Mr Au Chun Choong</td> <td>32,000 **</td> <td>5,000</td> <td>-</td> <td>-</td> <td>3,840</td> <td>40,840</td> </tr> </tbody> </table> <p>* Fees for Executive Directors are paid by subsidiary company and subject to the approval by shareholders at the AGM.</p> <p>** Subject to the approval by shareholders at the AGM.</p>	Directors	Remuneration Breakdown						Fee	Salary & Other Emoluments	Bonus	Benefit-In-Kind	EPF & SOCSO & EIS	Total	RM	RM	RM	RM	RM	RM	<u>Executive Directors</u>							Mr Tang Ying See	-	960,000	340,000	28,000	156,593	1,484,593	Madam Chin Song Mooi	-	152,446	12,500	-	20,525	185,471	Madam Chen Moi Kew	10,000 *	419,564	156,762	17,400	71,106	674,833	<u>Non-Executive Directors</u>							Dato' Haji Mokhtar Bin Haji Samad	32,000 **	5,000	-	-	-	37,000	Mr Chan Wan Siew	32,000 **	5,000	-	-	1,920	38,920	Mr Au Chun Choong	32,000 **	5,000	-	-	3,840	40,840
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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>While the Independent Directors and Executive Directors' remuneration are disclosed under Practice 7.1, the Board is of the view that remuneration disclosure of the other Executive Directors and Senior Management would have adverse effect on the Company's overall talent retention in the highly competitive industry.</p> <p>While the Independent Directors are being evaluated and compensated through the decisions of Remuneration Committee, all the other Executive Directors and Senior Management of the Group are being measured, evaluated and rewarded yearly according to the market competitiveness, level of contributions and business and individual performance achieved.</p> <p>The remuneration packages of the other Executive Directors and Senior Management are also reviewed by the Board / Remuneration Committee every year for discussion and action if necessary.</p> <p>The Board believes that the existing remuneration related practices and processes are sufficient and producing desired and positive result. Based on the years of service of the other Executive Directors and Senior Management, the average years of service is 14 years ranging from minimum eight years to maximum 28 years.</p> <p>As such, the Board has no intention to change or taking up new practice in this aspect.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Not Applicable

Timeframe	:	Others	Not Applicable
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Intended Outcome

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

Practice 7.3 - 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 ARMC comprises three (3) Independent Non-Executive Directors. The ARMC members are:						
		<table border="1"><tr><td>Mr Au Chun Choong Chairman Resigned: 13 March 2020</td><td>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Chairman Appointed: 13 March 2020</td></tr><tr><td>Dato' Haji Mokhtar Bin Haji Samad Member Resigned: 13 March 2020</td><td>Datuk Kwan Foh Kwai Member Appointed: 13 March 2020</td></tr><tr><td>Mr Chan Wan Siew Member Resigned: 13 March 2020</td><td>Mr Tan Teck Kiong Member Appointed: 13 March 2020</td></tr></table>	Mr Au Chun Choong Chairman Resigned: 13 March 2020	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Chairman Appointed: 13 March 2020	Dato' Haji Mokhtar Bin Haji Samad Member Resigned: 13 March 2020	Datuk Kwan Foh Kwai Member Appointed: 13 March 2020	Mr Chan Wan Siew Member Resigned: 13 March 2020	Mr Tan Teck Kiong Member Appointed: 13 March 2020
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Mr Chan Wan Siew Member Resigned: 13 March 2020	Mr Tan Teck Kiong Member Appointed: 13 March 2020							
	<p>There is a change to the ARMC composition on 13 March 2020. Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali has been appointed as the new Chairman of the ARMC in place of Mr Au Chun Choong. Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali is not the Chairman of the Board to ensure overall effectiveness and independence of the Committee.</p> <p>With an independent ARMC, there is an objective and independent review of among others, the financial reporting process, related party transactions and conflict of interests' situation that may arise within the Company or Group and any transaction, procedure or course of conduct that raises questions of management integrity.</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 8.2

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>There is no former key audit partner being appointed as a member of the ARMC.</p> <p>Any former key audit partner shall observe a cooling off period of at least two years before being appointed as a member of ARMC pursuant to the Terms of Reference of the ARMC.</p> <p>The ARMC is effective and independent, therefore, providing assurance to stakeholders of the accuracy in the disclosure of financial information.</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>The ARMC is responsible to evaluate the performance and independence of External Auditors as set out in the Terms of Reference of ARMC in the Board Charter which is published on the Company's website at www.luxchem.com.my.</p> <p>The ARMC has evaluated the performance of the External Auditors, Messrs BDO PLT including assessment of the following during the FY2019:</p> <ul style="list-style-type: none">a) tenure;b) independence and objectivity;c) technical competency, audit quality and adequacy of resources; andd) nature and extent of non-audit services rendered and reasonableness of their level of non-audit fees. <p>As part of the review process, the ARMC has sought and reviewed the Management's comments and feedbacks on the performance of the External Auditors.</p> <p>The ARMC conducted a private session with the External Auditors on 14 February 2019, without the presence of the Executive Directors and the Management. This review process ensures that critical issues, if any, are objectively brought up to the attention of the ARMC.</p> <p>For further details, please refer to the ARMC Report on the Annual Report 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	:		
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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	:	<p>There is a change to the composition of the ARMC on 13 March 2010. But, the ARMC still comprises three (3) Independent Non-Executive Directors.</p> <p>The ARMC members are:</p> <table border="1"><tr><td>Mr Au Chun Choong Chairman Resigned: 13 March 2020</td><td>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Chairman Appointed: 13 March 2020</td></tr><tr><td>Dato' Haji Mokhtar Bin Haji Samad Member Resigned: 13 March 2020</td><td>Datuk Kwan Foh Kwai Member Appointed: 13 March 2020</td></tr><tr><td>Mr Chan Wan Siew Member Resigned: 13 March 2020</td><td>Mr Tan Teck Kiong Member Appointed: 13 March 2020</td></tr></table>	Mr Au Chun Choong Chairman Resigned: 13 March 2020	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Chairman Appointed: 13 March 2020	Dato' Haji Mokhtar Bin Haji Samad Member Resigned: 13 March 2020	Datuk Kwan Foh Kwai Member Appointed: 13 March 2020	Mr Chan Wan Siew Member Resigned: 13 March 2020	Mr Tan Teck Kiong Member Appointed: 13 March 2020
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Mr Chan Wan Siew Member Resigned: 13 March 2020	Mr Tan Teck Kiong Member Appointed: 13 March 2020							

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 Audit and Risk Management Committee ("ARMC") Chairman, Mr Au Chun Choong, is not the Chairman of the Board and both Mr Au Chun Choong and Mr Chan Wan Siew are fellow members of the Association of Chartered Certified Accountants. Mr Au Chun Choong is also a member of MIA.</p> <p>During the financial year under review, the ARMC members had attended trainings and seminar to keep abreast with development in accounting, auditing standards and financial reporting disclosures. Dato' Haji Mokhtar Bin Haji Samad had obtained his Executive Master in Project Management (With Honours) in October 2019 from Universiti Malaysia Pahang.</p> <p>All the members of the ARMC have vast experience and skills in accounting and finance as well as other fields of expertise, and are qualified to review the accuracy of the Group's financial statements prior to recommending the same to the Board for approval.</p> <p>Collectively, the ARMC possesses a wide range of necessary skills to discharge its duties. In order to strengthen the present financial literacy of each member and the ability to understand matters under the purview of the ARMC, including the financial reporting process, all members of the ARMC will undertake continuous professional development programmes on accounting and auditing standards and practices and rules in the future.</p> <p>Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong, were appointed as Independent Non-Executive Directors on 13 March 2020. Throughout the evaluation by the former Nominating Committee, the new directors can contribute, complement and improve the dynamism of the Board structure with vast experience from legal, finance and engineering which will add value 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

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 acknowledges its overall responsibility for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems, identifying principal risks and establishing an appropriate control environment and framework to manage risk to safeguard shareholders' interests and the Group's assets.</p> <p>The Board had established the Risk Management and Internal Control framework in 2018 under which, all the risk elements in all the business, operation areas are identified, evaluated, actioned and monitored systematically. During the FY2019, the risk elements identified were reviewed, re-evaluated and monitored.</p> <p>The Group's Risk Management and Internal Control process involves Heads of Subsidiaries / Divisions / Departments / Branches identifying risk elements in the respective companies / functions, evaluating risk tolerance, initiating necessary actions for addressing the risks as well as reviewing and updating the risk areas on a yearly basis. All the risk management actions are recorded in the Risk Register which would be reviewed, discussed and assessed by the Board for its adequacy and effectiveness in the meeting.</p> <p>Further details on the key elements of the Group's risk management and internal control systems may be found in the Statement on Risk Management and Internal Control in the Annual Report 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	:		
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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>The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems; identifying the principal risks in the Group; and establishing appropriate control environment and framework to manage risks</p> <p>Key elements of the Group's risk management and internal control systems have been established to facilitate the proper conduct of the Group's businesses</p> <p>The Board is committed to maintain a strong control structure to facilitate the achievement of the Group's business objectives. Internal controls have been designed to provide reasonable assurance that the likelihood of significant adverse impact on business objectives arising from an event is at acceptable level to the Group.</p> <p>The Board has received assurance from the Managing Director/Chief Executive Officer and Executive Director/Chief Financial Officer that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material respects during the financial year under review and up to the date of issuance of this Statement.</p> <p>Further detail on the features of its risk management and internal control framework and the Board' responsibilities for reviewing the adequacy and effectiveness of the framework are provided in Statement on Risk Management and Internal Control in the Annual Report 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

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>During the FY2019, the Audit Committee was renamed as Audit and Risk Management Committee ("ARMC") on 30 April 2019 and lead by three experienced Independent Directors as follows:</p> <p>Mr Au Chun Chong Chairman (Independent Non-Executive Director)</p> <p>Mr Chan Wan Siew Member (Senior Independent Non-Executive Director)</p> <p>Dato' Haji Mokhtar Bin Haji Samad Member (Independent Non-Executive Chairman)</p> <p>Apart from overseeing the Group's audit functions, the three Independent Directors, who are suitably qualified and experienced, are also overseeing the Risk Management functions of the Group.</p> <p>The three Independent Directors are not involved in the management and operations of the Group in any way. This will assure their independent, fair and proper assessment in overseeing all the matters of risk management.</p> <p>After the change of Board Committee members on 13 March 2020, the ARMC will be led by the Independent Directors as follows:</p> <p>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Chairman (Independent Non-Executive Director)</p> <p>Datuk Kwan Foh Kwai Member (Independent Non-Executive Chairman)</p>

	Mr Tan Teck Kiong Member (Independent Non-Executive Director)
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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 outsourced its Internal Audit Function to a professional internal audit service provider namely Crowe Governance Sdn Bhd to assist the ARMC and the Board in providing an independent assessment and objective assurance on the internal control system of the Group.</p> <p>The Internal Audit Function reports directly to the ARMC in respect of its appraisal of the Group's internal control systems. For the FY2019, the internal audit plan, processes, performance evaluation and budget were reviewed and approved by the ARMC during the FY2019.</p> <p>The ARMC was satisfied that the internal auditors met the competency required and expected for independent audits.</p> <p>The internal audits were performed in accordance with the international internal auditing standards for FY2019.</p> <p>The internal auditors were given sufficient resources and access to confidential information necessary to enable them to carry out their audits effectively and efficiently.</p> <p>The internal audit reports were presented to the ARMC on a quarterly basis, to review the audit findings and action plans taken by the Management to address the issues raised in the internal audit reports. The ARMC also updated the Board on the outcome of the above internal audit reports.</p> <p>Stakeholders are provided with information to assess the effectiveness of the Company's Internal Audit Function on summary of work of the Internal Audit Function in the ARMC Report in the Annual Report 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	:		
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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 Group has currently outsourced its Internal Audit Function to an independent professional internal audit service provider, i.e. Crowe Governance Sdn. Bhd (“CGSB”). The Internal Auditors conduct their assessment and provide independent and objective assurance to the ARMC and the Board on adequacy and effectiveness of the risk management and internal control systems of the Group.</p> <p>All the internal audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All employees in the firm are required to complete the Independence Declaration Form on annually basis. In addition, all the internal audit personnel involved are required to acknowledge on the Employee Professional Conduct and Ethics Declaration on assignment basis. The internal audit department of CGSB consists of 22 permanent internal audit personnel and 1 admin personnel.</p> <p>Name: Amos Law, Executive Director</p> <p>Professional Qualification: Certified Internal Auditor (“CIA”), Chartered Institute of Internal Auditors (“CMIA”) and Certification in Risk Management Assurance (“CRMA”)</p> <p>All the internal audit functions were carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia in carrying out the internal audit function.</p> <p>The Internal Auditors report directly to the ARMC on the outcome of its appraisal of risk management activities. The Internal Auditors organised their work in accordance to the principles of the internal auditing standards covering the conduct of the audit</p>

	<p>planning, execution, documentations, communication of findings and consultation with key stakeholders on audit concerns.</p> <p>The internal audit plan was reviewed and approved by the ARMC. The internal audit reports were presented to the ARMC regularly. The ARMC will review the audit findings and action plans taken by the Management to address the audit findings and issues before reporting to the Board. The Internal Auditors also follow up on Management implementation of audit recommendations and ascertain the status of implementation thereof for improvement on the systems of internal control.</p> <p>The Internal Auditors attended three (3) ARMC meetings during the FY 2019 and conducted their reviews for the following entities and their respective key audit areas:</p> <ul style="list-style-type: none"> i. Transform Master Sdn Bhd for Production, Inventory Management and Quality Assurance / Quality Control; ii. PT. Luxchem Indonesia for Sales, Billing, Collection And Credit Control, Procurement and Payment, And Foreign Exchange Management; and iii. Transform Master Sdn Bhd and PT. Luxchem Indonesia for Information Technology General Control. <p>The results of the reviews were adequate and effective, and met the ARMC's expectations.</p> <p>The fee incurred for the internal audit function in respect of the FY 2019 was RM80,000 (2018: RM80,000).</p> <p>The Board was satisfied that the Internal Auditors are free from any conflicts of interest with the Group, appropriately resourced and qualified for the Internal Audit services and carried out the audit within the established framework.</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 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board believes that stakeholders engagement is the basis for good corporate governance and important for our business economic sustainability. One of our key stakeholders is our shareholders.</p> <p>At our AGM, all shareholders are invited to raise questions to the members of the Board.</p> <p>The Board provided clear explanation to address all the shareholders' questions. Shareholders' needs and expectations are evaluated and appropriately considered.</p> <p>Thereafter, minutes of the AGM is uploaded to the corporate website pursuant to Paragraph 9.21(2)(b) of the MMLR.</p> <p>The Company has a general email address which all shareholders can send in their queries. All email queries are attended to by the Chief Financial Officer/ Executive Director.</p> <p>The Company recognises the importance of providing timely and accurate information to its shareholders. Therefore, the Group targets to announce its results ahead of the deadline set by Bursa Securities. The quarterly results for the first three quarters closing was made within 30 days from the quarter closing. For the final quarter, the results were announced, 14 days ahead of the deadline set.</p> <p>The Group meets analysts quarterly for update on the Group's performance. Analysts' Reports will be available for shareholders or potential investors.</p> <p>With these on-going communications, stakeholders are kept informed of the Company's performance and have continued to support the Company, as evidenced by stability in the Company's share price.</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 is not a large company as defined under 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	:	<p>The Notice of AGM includes detailed explanatory notes and background information on the proposed resolutions, where applicable, to enable shareholders to make informed decisions regarding the business agenda of the AGM.</p> <p>The Notice of Twenty-Seventh AGM was sent to the shareholders on 4 April 2019, which is at least 28 days' notice prior to the date of the AGM on 3 May 2019. In addition to sending the Notice of AGM, the Company also published the Notice of AGM on its website, released to the public via Bursa LINK and advertised in a local newspaper.</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 Directors attended the AGM held on 3 May 2019. The shareholders' questions were all responded accordingly by the relevant members of the Board.</p> <p>The dates of AGM, Board meetings and Board Committees' meetings for each financial year were fixed in advance to ensure that all Directors/Committees members would be able to attend the meetings.</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 Board will look into compliance of Practice 12.3 in the coming years.	
		Not applicable	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Not applicable	
Timeframe	:	Within 2 years	

**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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