

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7117  
**COMPANY NAME** : Century Logistics Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2017

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is collectively responsible for the long-term success of Century Logistics Holdings Berhad ("<b>the Company</b>") and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board had governed and set the strategic direction of the Group while exercising oversight on management. The Board had ensured that it had set the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.</p> <p>All the Directors of the Company had objectively discharged their duties and responsibilities at all times as fiduciaries in the best interests of the Company. Every director has taken proactive actions to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Company. This includes attending trainings and briefings and receiving updates on the latest Companies Act 2016, Malaysian Code on Corporate Governance ("<b>MCCG</b>") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad as the Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their knowledge to enable them to carry out their roles effectively as directors in discharging their responsibilities towards corporate governance, and other operational and regulatory issues. The Directors are also briefed by the Company Secretary on the latest letters and circulars issues by Bursa Malaysia Berhad at every scheduled Board meeting.</p> <p>During the financial year ended 31 December 2017, all Directors had attended appropriate training programmes to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of the developments in the marketplace. The trainings and/or</p>

courses attended by each Director are as follows:-

Director	Training/courses attended
Datuk Lee Say Tshin	<ul style="list-style-type: none"> <li>• Companies Act 2016</li> <li>• NCCIM Economic Forum 2017</li> <li>• Bursa Risk Management Programme: “I Am Ready To Manage Risks”</li> <li>• Technical Workshop on Green Finance in Malaysia</li> <li>• Leadership Energy Summit Asia (LESA) “Open Source Leadership”</li> <li>• Integrated Reporting Briefing by PwC</li> <li>• HSBC Asian Outlook and BRI Forum 2018</li> <li>• Corporate Governance Guide 3<sup>rd</sup> Edition: “Moving from Aspiration to Actualisation”- Unstacking the Guide for Application</li> </ul>
Teow Choo Hing	<ul style="list-style-type: none"> <li>• Companies Act 2016</li> </ul>
Yeap Khoo Soon Edwin	<ul style="list-style-type: none"> <li>• Companies Act 2016</li> <li>• Affin Hwang Transport &amp; Logistics Conference</li> <li>• Burning International Tax Issues - Opportunities &amp; Challenges</li> <li>• Transfer Pricing Audit Trends &amp; New Reporting Requirements</li> <li>• E-Commerce Delivery Symposium</li> <li>• Business Impact Analysis Workshop</li> <li>• UOB Kay Hian New Economy Conference</li> <li>• Amazing Sticky Presentations</li> </ul>
Cheong Joon Kyo	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> <li>• Companies Act 2016</li> </ul>
Ahn Jae Ho	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> </ul>
Lee Eui Sung	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> <li>• Companies Act 2016</li> </ul>
Saryani Binti Che Ab Rahman	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> <li>• Companies Act 2016</li> <li>• Directors Risk Management Programme: “I Am Ready to Manage Risks”</li> <li>• Driving Finance Integrity and Performance – Enhancing Financial Literacy</li> <li>• Workshop for Board Audit Committee</li> </ul>

		members on Effective Internal Function
	Winston Tan Kheng Huang	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> <li>• Companies Act 2016</li> <li>• Driving Financial Integrity and Performance - Enhancing Financial Literacy</li> </ul>
	Lee Jae Jin (resigned on 17 January 2018)	<ul style="list-style-type: none"> <li>• Mandatory Accreditation Programme</li> <li>• Companies Act 2016</li> </ul>

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board has collectively discussed on the Group's various business plans and strategies, both short-term and long-term through active discussions with the Managing Director and Executive Director. The Non-Executive Directors had consistently enquired on the operations of the Group, and in their review of such, the Non-Executive Directors had carefully thought through and where relevant, inquired and examined the management's plans and proposals for the Company, while also following up on the progress made.

Together with senior management, the Board believes in the promotion of good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour. The Board had commenced to undertake a comprehensive MCCG gap analysis to identify the Company's compliance with the MCCG and discuss on proposed actions to be taken to close the gaps, which includes a review of the Board Charter, Code of Conduct and Ethics, Terms of Reference of the Board Committees, and developing other appropriate policies and procedures. The said gap analysis was completed in February 2018 and tabled to the Board on 27 February 2018.

The Board ensures that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability. The Board actively plays its role in the formulation and adaptation of the Company's strategy. The Board is presented with the Group's Finance and Operation Report by the Chief Financial Officer every quarter. The Managing Director also briefs and updates the Board on the implementation of the business plan and strategy of the Company and the overall Group, and/or any change in the business plan and strategy to adapt to the fast-changing business environment, at each of these Board meetings, and as and when the need arises. The Board reviews this and deliberates to come to an agreement on the business plan and strategy for the Group, and any changes thereto.

The Group's annual budget and plan are tabled to the Board for review and approval once a year and where there are material changes to the annual budget and plan, it will be re-tabled to the Board for further review and approval. The 2018 annual budget and plan of the Group was tabled and approved by the Board on 16 November 2017.

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. A detailed report on sustainability activities, demonstrating the Company's commitment to the global environmental, social, and governance aspects of business, is presented under the Sustainability Statement contained in the Annual Report and also published on the Company's website at [www.cjcentury.com](http://www.cjcentury.com).

The Board also ensures that it supervises and assesses management overall performance to determine whether the Group's business is being properly managed through the reports provided by the management at every Board Meeting. The Group's Finance and Operation Report presented by the Chief Financial Officer every quarter includes a comparison against approved budgets for the Board to effectively monitor the performance of the Group.

There is a sound framework for internal controls and risk management through an enterprise risk management process, which is detailed under Practice 9.1, 9.2, 10.1 and 10.2 of this Report. Notwithstanding the formal framework, the Board would enquire on the principal risks of the Group's business from time to time and discuss mitigation plans and/or actions where necessary.

The Board is assisted by the Nomination Committee to review Board and senior management succession plans to ensure there is an orderly succession of Board and senior management members with the appropriate calibre. The Board is periodically updated on the primary responsibilities of key senior management positions and discusses the potential of second liners in assuming these responsibilities during Board meetings, and as and when required.

The Audit Committee assists the Board in reviewing the financial results prior to its recommendation to the Board for review and approval. The Chief Financial Officer also presents the Group's Finance and Operation Report for every quarter to the Board when the Quarterly Report is tabled to the Board. The Managing Director and Executive Director will brief the Board on all financial and non-financial matters of the Group and answer to questions raised by other Board members accordingly.

The Managing Director and the Executive Director (previously the Chief Financial Officer as well) play a leadership role and take on the primary responsibilities to develop the Group's culture and to

	<p>implement the Group’s business and investment plans, including acquisitions and divestments, restructuring, and management of business activities.</p> <ul style="list-style-type: none"> <li>➤ The Managing Director oversees the achievement of the Group’s strategic vision to transform the Group, through process evolution and strategic alliances, taking cognizance of the global trend where third-party logistics providers are able to offer value-added integrated logistics solutions, to effectively enhance customers' supply chain, and ultimately, bring the Group’s performance to higher levels.</li> <li>➤ The Managing Director is the primary person accountable for the day-to-day management of the business and operations of the Group, and who oversees, the Group’s implementation of the directives from the Board to ensure that all agreed corporate objectives and performance targets are met. The Managing Director reports to the Board on key strategic, operational and legal matters concerning the Group at every Board meeting, and as and when the need arises.</li> <li>➤ The Executive Director oversees the group shared services functions and all key financial and operational matters concerning the Group, which will be reported by the current Chief Financial Officer to the AC and the Board.</li> <li>➤ The Group’s senior management team comprising the Chief Operating Officer and Heads of Business Divisions supports the Managing Director and Executive Director in their roles and responsibilities based on their respective levels of authority established by the Board and/or the Managing Director and/or the Executive Director.</li> </ul>
<p><b>Explanation for departure</b></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><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board had -</p> <ul style="list-style-type: none"> <li>• provided leadership for the Board so that the board can perform its responsibilities effectively;</li> <li>• through the Executive Director and Company Secretary, set the Board agenda and ensured that board members receive complete and accurate information in a timely manner;</li> <li>• led Board meetings and discussions;</li> <li>• encouraged active participation and allowed dissenting views to be freely expressed;</li> <li>• managed the interface between Board and management;</li> <li>• ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and</li> <li>• led the Board in establishing and monitoring good corporate governance practices in the Company.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The positions of the Chairman and Managing Director are held by two different individuals. The Chairman is responsible for the achievement of the Group's strategic vision and also for leading the Board in its collective oversight of management, while the Managing Director focuses on the business and day-to-day management of the Group and the implementation of the Board's decisions. The distinct and separate roles of the Chairman and Managing Director, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, and are clearly defined in the Board Charter.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is supported by two suitably qualified and competent company secretaries. Both Company Secretaries are qualified Chartered Secretaries under Section 139A(a) of the Companies Act 1965 or Section 235(2)(a) of the Companies Act 2016 and are Fellow members of the Malaysian Association of the Institute of Chartered Secretaries and Administrators (“<b>MAICSA</b>”). The Company Secretaries are external company secretaries from Securities Services (Holdings) Sdn. Bhd. with vast knowledge and experience from being in public practice and is supported by a dedicated team of company secretarial personnel.</p> <p>The Company Secretaries support the Board and the relevant Board Committees to ensure their effective functioning in accordance with their terms of reference and best practices, and in managing the corporate governance framework of the Company. The Company Secretaries also advise the Directors on their fiduciary and statutory duties, as well as compliances with company law, the Main Market Listing Requirements, the Company's Memorandum and Articles of Association (constitution), the Malaysian Code on Corporate Governance, Board adopted policies, and other pertinent regulations governing the Company, including guiding the Board towards the necessary compliances.</p> <p>At least one Company Secretary attended the Twentieth Annual General Meeting and all Board and Board committee meetings during the financial year ended 31 December 2017. All deliberations at the Twentieth Annual General Meeting and all Board and Board committee meetings were well minuted for the Board's reference and for action plans to be communicated to the Management to work on and to report back to the Board.</p> <p>The Company Secretary who attended the Twentieth Annual General Meeting managed the processes of the meeting and ensure orderly proceeding, including the conduct of the poll taken on all resolutions tabled at the meeting.</p>

	<p>The Board is also updated on the Directors' Resolutions in Writing passed, Directors' dealings pursuant to Chapter 14 of the Main Market Listing Requirements, announcements made to Bursa Malaysia Securities Berhad and circulars or correspondences from Bursa Malaysia Berhad, at every scheduled Board meeting during the year.</p> <p>The Company Secretaries also update the Board on changes in the regulatory requirements and advise the Board on its roles and responsibilities and on corporate disclosures and compliance with company and securities regulations and the Main Market Listing Requirements.</p> <p>The Company Secretaries had and will continue to constantly keep themselves abreast on matters concerning company law, the capital market, corporate governance, and other pertinent matters, and with changes in the same regulatory environment, through continuous training and industry updates. They have also attended many relevant continuous professional development programmes as required by MAICSA for practicing chartered secretaries.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its function and duties.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All meeting materials are circulated to Directors at least five business days in advance of Board / Board Committee meetings. The Minutes of Board / Board Committee meetings are circulated to the respective Chairman/Chairperson in a timely manner for review before they are confirmed. All Board members reviewed and confirmed the minutes of meetings to ensure they accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberation on a particular matter.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has a Board Charter, which is published on the Company's website at <a href="http://www.cjcentury.com/corporate_governance.php#startpoint">http://www.cjcentury.com/corporate_governance.php#startpoint</a>, and which was being reviewed up until 31 December 2017 and approved by the Board on 27 February 2018. The Board Charter clearly identifies the respective roles and responsibilities of the Board, Board Committees, individual directors and management, as well as issues and decisions reserved for the Board, the Board's governance structure and authority, and terms of reference of the Board, Board Committees and management. Key matters of the Company reserved for the Board's approval include –</p> <ul style="list-style-type: none"><li>• Financial results</li><li>• Dividend policy and declaration</li><li>• Issuance of new securities</li><li>• Business plans</li><li>• Budgets</li><li>• Acquisition or disposal of material fixed assets</li><li>• Acquisition or disposal of companies within the Group</li></ul> <p>The Board Charter, when updated, will outline what is expected of each individual Director in detail in terms of their commitment, and their roles and responsibilities as board member. The role of the Senior Independent Director will also be explained in the Board Charter.</p> <p>The updated Board Charter was published on the Company's website in the first quarter of 2018.</p> <p>The Board Charter and Terms of Reference of the Board Committees will be reviewed as and when necessary to ensure they reflect the latest compliance requirements as a result of changes in the regulatory framework, and remain relevant at all times.</p>

	<p>The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the minutes of the Board Committee meetings and reports from the respective Board Committee chairmen, which are presented to the Board during Board meetings at the appropriate regular intervals.</p>	
<p><b>Explanation for departure</b></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><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company adopts a Code of Conduct and Ethics, which is set out in the Company's Employee Handbook, and which covers ethical behaviour in all aspects of the Company's business operations. This includes areas concerning confidentiality of information, conflict of interest, gifts, gratuities, bribes, dishonest conduct and assault, unlawful or unethical behaviour, protection and proper use of the Company's assets and compliance with laws, rules and regulations. The said Code is expected to govern the standards of ethics and good conduct expected of Directors and employees of the Group. A summary of the same is published on the Company's website at <a href="http://www.cjcentury.com/corporate_governance.php#startpoint">http://www.cjcentury.com/corporate_governance.php#startpoint</a>.</p> <p>Employees are made aware that relevant disciplinary actions will be taken for unethical behaviour and gross misconduct that is in contravention with the ethos of the said Code. Heads of Business Divisions play an important role to oversee the culture of the Company to ensure it engenders ethical conduct.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has adopted a comprehensive Code of Conduct and Ethics, which is explained under Practice 3.1 above. The Board has always encouraged employees to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace and is now formalising this in a formalised whistleblowing policy. A formalised whistleblowing policy is incorporated in the Code of Conduct and Ethics, where appropriate communications and feedbacks can be channeled to the Managing Director and/or Executive Director and/or the Senior Manager, Human Resources and Administration.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	Although less than half of the Board comprises independent directors, there are 7 Non-Executive Directors (vs 2 Executive Directors) who by virtue of their non-executive status, are not involved in the day-to-day management of the Group's businesses. The Board is of the view that having a majority of Non-Executive Directors on the Board provides reasonably effective checks and balances within the Board. The Board believes that a balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively. Nevertheless, the Board also recognises and appreciates the valuable advice, guidance and insights of the 4 Non-Independent Non-Executive Directors nominated by the Company's substantial shareholder, CJ Logistics Asia Pte. Ltd. (formerly known as CJ Korea Express Asia Pte. Ltd.), which is a major dominant player in the Group's industry, to bring the Group to the forefront of its industry.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	No independent director is currently serving beyond 9 years. However, if the Board intends to retain an independent director beyond nine years and twelve years, it will justify and seek annual shareholders' approval appropriately.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is judicious of the gender diversity recommendation promoted by the MCCG in order to offer greater depth and breadth to board discussions and constructive debates at senior management level.</p> <p>The Group is an equal opportunity employer and all appointments to the Board and employment of all staff are based on objective criteria, merit, skills and experience, and may not be driven by any age, cultural background or gender.</p> <p>Currently, there is one (1) female Director on the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Group is an equal opportunity employer and all appointments to the Board and employment of all staff are based on objective criteria, merit, skills and experience, and may not be driven by any age, cultural background or gender.</p> <p>Currently, there is one (1) female Director on the Board. When the need arises, the Board would give more weightage on the appointment of female Directors to the Board and senior management. However, the Board would want to avoid the pitfall of tokenism which is not in the best interest of the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	There was no new appointment of Board members during the financial year ended 31 December 2017. The Board is aware of the guidance to utilise independent sources for future appointments of independent directors and to disclose how a Board member is sourced in the Company's annual report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is chaired by Datuk Lee Say Tshin, the Senior Independent Director identified by the Board on 21 February 2017, who is also Chairman of the Board. The Chairman had led the annual review of board effectiveness, ensuring that the performance of each individual director is independently assessed and will lead the succession planning and appointment of future board members, including the future Chairman and Managing Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Annual assessment of Directors is based on a comprehensive assessment system, which commences with the completion of a set of comprehensive self-assessment form detailing all assessment criteria to be completed individually by all Directors in advance. Criteria for the self-assessment includes self-ratings on the Director's knowledge, support of the mission and goals of the Company, time commitment, and active participation on the Board. During the financial year ended 31 December 2017, the completed forms were submitted to the Company Secretaries, who tabulated the results for tabling at the Nomination Committee and Board meetings held on 17 August 2017.</p> <p>During the same meeting, the Nomination Committee ("NC") had also discussed the contribution and performance of each individual Director and the performance of the Board and Board committees as a whole. Criteria for the assessment of the performance of the Board and Board committees covered composition, processes, accountability as well as the fulfilment of duties.</p> <p>The Board through the NC had also assessed the independence of the Independent Directors on the Board, taking into account the following in ensuring that the Independent Directors are able to contribute to the effective objective functioning of the Board:-</p> <ul style="list-style-type: none"><li>• fulfillment of the definition of an independent director as set out in Paragraph 1.01 of the Main Market Listing Requirements</li><li>• ability to exercise independent judgement and act in the best interests of the Company</li><li>• potential conflicts of interest with regards to any contracts or transactions with the Group</li><li>• significant personal or social relationship with the Management or major shareholders (including their family members) other than those on a professional level consistent with their duties and generally expected of them</li><li>• derivation of other remuneration and benefits apart from</li></ul>

#### Directors' fees and meeting allowances

All the assessments conducted at the Nomination Committee Meeting were reported to the Board during the Board Meeting held on the same day and the Board noted the following:-

- Individual directors are able and had critically challenged and asked the right questions, as and where applicable, and are confident to stand up for their point of view.
- Individual directors are committed in serving the Company.
- The Board and Board Committees had been effective in carrying out their functions and duties.
- All independent directors had been and remain independent from management and free from any business relationship that could materially interfere with their independent judgement.

The Board will consider engaging a professional, experienced and independent party to lend greater objectivity to the assessments as and when required.

The above annual evaluation system is being reviewed to ensure they remain relevant in light of the new Companies Act 2016 and MCGG, and amendments to the Main Market Listing Requirements at the end of 2017.

The Board is satisfied with the level of time commitment given by all the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced also by the attendance record of the Directors at the Board meetings during the financial year ended 31 December 2017 as set out in the table below:-

<b>Name of Director</b>	<b>Attendance</b>
Teow Choo Hing	4/4
Yeap Khoo Soon Edwin	4/4
Datuk Lee Say Tshin	4/4
Saryani Binti Che Ab Rahman	4/4
Winston Tan Kheng Huang	4/4
Lee Jae Jin (resigned on 17 January 2018)	4/4
Cheong Joon Kyo	3/4
Ahn Jae Ho	4/4
Lee Eui Sung	4/4

Besides holding Board meetings, the Board also exercises control on

	<p>issues and/or matters that require immediate Board approval through the circulation and passing of Directors' Resolutions In Writing pursuant to the Articles of Association of the Company.</p> <p>To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively, one criterion as agreed by the Board is that they must be able to commit sufficient time to the Company.</p> <p>Prior to accepting new directorships, the Director is to notify the Chairman and inform him of the expected time commitment for the new appointment accordingly. The Directors are also required to submit a timely update on their other relevant directorships and shareholdings to the Company Secretaries, who will update the Board. Such information is used to monitor the number of directorships held by the Directors and to notify the Companies Commission of Malaysia accordingly, where required.</p> <p>None of the Directors have directorships in public listed companies that exceeded the maximum limit of five directorships.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As fair remuneration is critical to attract, retain and motivate Directors, the Remuneration Committee reviews all proposed remuneration packages with regards to each Director's role, responsibility, and expertise, taking into consideration also the complexity of the Company's business, performance of the Group, industry average and a study of companies in the same industry with similar market capitalisation.</p> <p>The Remuneration Committee reviews the remuneration packages of the Executive Directors, which include their salaries, benefits-in-kind and other emoluments and their annual performance bonus in detail, to ensure their remuneration is sufficiently attractive and is able to retain and motivate them to run the Company successfully.</p> <p>All Directors are entitled to Directors' fees but the Executive Directors and the Non-Independent Non-Executive Directors have voluntarily declined to accept Directors' fees with effect from 31 October 2016. Apart from Directors' fees, all Independent Non-Executive Directors are entitled to meeting allowances for attending Board and Board committee meetings. It is also proposed that all Independent Non-Executive Directors and their family members be entitled to the Company's Hospitalisation and Surgical Insurance Plan commencing year 2018 onwards.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Remuneration Committee that assisted the Board in reviewing and recommending the proposed remuneration packages and bonus of the Managing Director and Executive Director.</p> <p>The Remuneration Committee also assisted the Board in reviewing the proposed remuneration packages of the Independent Non-Executive Directors.</p> <p>The Remuneration Committee has a detailed Terms of Reference in writing, which includes the Remuneration Committee's -</p> <ul style="list-style-type: none"><li>• Objectives</li><li>• Composition</li><li>• Chairman</li><li>• Secretary</li><li>• Meetings</li><li>• Minutes</li><li>• Quorum</li><li>• Circular resolutions</li><li>• Reporting</li><li>• Authority</li><li>• Duties and responsibilities</li></ul> <p>The Terms of Reference of the Remuneration Committee is published on the Company's website.</p> <p>On 16 November 2017, there was a change in the composition of the Remuneration Committee in compliance with the Malaysian Code on Corporate Governance. The Remuneration Committee now consists of only non-executive directors and a majority of them are independent</p>

	<p>with the cessation of Teow Choo Hing as a member of the Remuneration Committee on the same date thereof.</p> <p>Advise from experts would be drawn as and when necessary. The relevant Independent Non-Executive Directors of the Company will abstain from voting to approve their proposed remuneration packages at the Twenty-First Annual General Meeting of the Company.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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.

<b>Application</b>	:	Applied																															
<b>Explanation on application of the practice</b>	:	<p>The breakdown of the remuneration of each individual director is as follows:-</p> <p><i>Executive Directors</i></p> <table border="1"> <thead> <tr> <th>Name of director</th> <th>Salary RM</th> <th>EPF RM</th> <th>Other benefits RM</th> <th>Bonus in respect of 2017 RM</th> </tr> </thead> <tbody> <tr> <td>Teow Choo Hing</td> <td>1,236,000</td> <td>296,640</td> <td>28,000</td> <td>618,000</td> </tr> <tr> <td>Yeap Khoo Soon Edwin</td> <td>408,000</td> <td>97,920</td> <td>17,400</td> <td>204,000</td> </tr> </tbody> </table> <p>The Managing Director and Executive Director do not receive any other form of remuneration from the Company or the Group, other than their respective entitlement of the Company's Employee Share Option Scheme.</p> <p><i>Independent Non-Executive Directors</i></p> <table border="1"> <thead> <tr> <th>Name of director</th> <th>Fees in respect of 2017 * RM</th> <th>Fees in respect of 2018 onwards* RM</th> <th>Meeting allowances # RM</th> </tr> </thead> <tbody> <tr> <td>Datuk Lee Say Tshin</td> <td>60,000</td> <td>120,000</td> <td>6,000</td> </tr> <tr> <td>Saryani binti Che Ab Rahman</td> <td>48,000</td> <td>96,000</td> <td>6,000</td> </tr> <tr> <td>Winston Tan Kheng Huang</td> <td>36,000</td> <td>72,000</td> <td>6,000</td> </tr> </tbody> </table> <p><i>*subject to shareholders' approval at the Twenty-First Annual General Meeting of the Company</i>  <i>#for 2017 – approved by shareholders at the Twentieth Annual General Meeting of the Company; for 2018 onwards - subject to shareholders' approval at the Twenty-First Annual General Meeting of the Company</i></p> <p>The Independent Non-Executive Directors are also entitled to the benefits of the Company's Hospital and Surgical Plan.</p>	Name of director	Salary RM	EPF RM	Other benefits RM	Bonus in respect of 2017 RM	Teow Choo Hing	1,236,000	296,640	28,000	618,000	Yeap Khoo Soon Edwin	408,000	97,920	17,400	204,000	Name of director	Fees in respect of 2017 * RM	Fees in respect of 2018 onwards* RM	Meeting allowances # RM	Datuk Lee Say Tshin	60,000	120,000	6,000	Saryani binti Che Ab Rahman	48,000	96,000	6,000	Winston Tan Kheng Huang	36,000	72,000	6,000
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	<p><i>Non-Independent Non-Executive Directors</i></p> <p>The four Non-Independent Non-Executive Directors, namely, Lee Jae Jin (resigned on 17 January 2018), Cheong Joon Kyo, Ahn Jae Ho, and Lee Eui Sung, do not receive any fees or any other form of remuneration from the Company or the Group.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000, will be disclosed on a named basis in the 2017 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairperson of the Audit Committee is Puan Saryani Binti Che Ab Rahman, an Independent Non-Executive Director, while the Chairman of the Board is Datuk Lee Say Tshin, also an Independent Non-Executive Director. This had ensured that the objectivity of the Board's review of the Audit Committee's findings and recommendations is not impaired.</p> <p>Puan Saryani is responsible to ensure the overall effectiveness and independence of the Audit Committee. Together with other members of the Audit Committee, she had ensured among others that–</p> <ol style="list-style-type: none"> <li>the Audit Committee is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;</li> <li>the Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;</li> <li>the Audit Committee's concerns on matters that may have an effect on the financial or audit of the company are communicated to the external auditor; and</li> <li>there is co-ordination between internal and external auditors.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	In order to safeguard the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements, the Audit Committee had adopted a policy, which is included in its latest Terms of Reference, that requires a former key audit partner, to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In recommending the re-appointment of the external auditor to the Board, the Audit Committee has established policies and procedures that consider among others –</p> <ol style="list-style-type: none"><li>the competence, audit quality, experience and resource capacity of the external auditor in relation to the audit;</li><li>the persons assigned to the audit;</li><li>the audit firm's other audit engagements;</li><li>the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;</li><li>the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and</li><li>obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</li></ol> <p>The assessment to consider the suitability, objectivity and independence of the audit firm is conducted annually. The Audit Committee was of the view that Messrs. Deloitte PLT, the external auditor, is suitable, objective and independent to be re-appointed based on the following:-</p> <ul style="list-style-type: none"><li>Messrs. Deloitte PLT's active communication with the Audit Committee</li><li>Presentation of a comprehensive audit plan and audit findings report</li><li>Messrs. Deloitte PLT had provided the necessary quality of services required</li><li>Messrs. Deloitte PLT had sufficient resources to carry out the audit</li></ul> <p>Messrs. Deloitte PLT has in their reports on audit plan and audit findings provided their written assurance to the Audit Committee that they are, and have been, independent through the conduct of the audit engagement in accordance with By-Laws of the Malaysian</p>

	Institute of Accountants.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Puan Saryani Binti Che Ab Rahman holds an ACCA and has vast experience in the audit field for almost 20 years. Mr. Cheong Joon Kyo is currently the Chief Financial Officer of CJ Logistics Corporation. Datuk Lee Say Tshin is an accomplished banker with almost 40 years of experience in the banking industry and is an adviser to the advisory board of the Secretariat for the Advancement of Malaysian Entrepreneurs. Winston Tan Kheng Huang is a lawyer in practice for more than 20 years.</p> <p>All members of the Audit Committee are financially literate and are able to understand the Company's business and matters under the purview of the Audit Committee including the financial reporting process. They have continuously applied a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenged management's assertions on the Company's financials. Any inconsistencies in the financial and operational reports would be questioned to ensure that the Quarterly Report and the annual Audited Financial Statements taken as a whole provide a true and fair view of the Company's financial position and performance.</p> <p>All members of the Audit Committee have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Risk management was previously under the purview of the Executive Committee but during the financial year ended 31 December 2017, a Risk Management Committee was established to receive risk reports from business units, review risk management activities and report and recommend the necessary action(s) to be taken to the Board of Directors for further action, which promulgates the Board's efforts to ensure that internal controls and risk management are further enhanced.</p> <p>The member of the Risk Management Committee comprises the Managing Director, an Advisor, the Executive Director, the Chief Financial Officer, the Chief Operating Officers and selected Heads of Business Divisions.</p> <p>Risk Manager is assumed by the Executive Director, and additional resources or manpower would be identified to facilitate the coordination and monitoring process as and when required.</p> <p>The Audit Committee may provide an objective view on the effectiveness of the enterprise risk management and internal control framework as a whole to the Board.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Auditors were engaged to prepare and present a Risk Re-assessment Report, which summarises the results of the risk re-assessment, revised risk profiles and the top 10 risks identified during the risk re-assessment process of the Group in July 2017. The Board went through the Risk Re-assessment Report in detail and discussed at length to set the risk appetite within which the Board expects the Management to operate.</p> <p>The above risk re-assessment covered the active business units of the Company covering contract logistics, oil and gas logistics, freight forwarding, haulage and trucking, procurement logistics, data management solutions and corporate functions.</p> <p>The deliverables included in the Internal Auditor's report had been discussed with the Senior Management of the Group. The results of risk re-assessment represent management's views on the critical focus areas of the Group. The on-going identification and management of risks remain the responsibility of the Board of Directors and management of the Company.</p> <p>The Company adopts a risk based approach to internal audit as guided by the International Professional Practice Framework (IPPF).</p> <p>The external auditors had and would continue to evaluate the design and implementation of the relevant internal controls for the financial year, and report to the Audit Committee if there is any identified deficiency.</p> <p>The Business Continuity Policy, Framework and Plans and the Enterprise Risk Management Report were tabled to the Board on 16 November 2017.</p> <p>Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of this framework, are disclosed in the Statement of Risk Management and</p>

	Internal Control of the 2017 Annual Report.	
	The review and periodic testing of the Company's internal control and risk management framework will be conducted annually, or as and when required.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Auditors reported directly to both the Audit Committee and the Board on the internal audit function.</p> <p>The Audit Committee also assessed the scope of work, performance evaluation and budget for the internal audit function. Where a new appointment or removal may be required, the Audit Committee would decide on this accordingly. The internal audit plan for the financial year ending 31 December 2018 was also tabled to the Audit Committee and the Board for approval.</p> <p>In developing the scope of the internal audit function, the Audit Committee was satisfied that –</p> <ol style="list-style-type: none"><li>the person responsible for the internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;</li><li>internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and</li><li>the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.</li></ol> <p>The internal auditors had and would continue to keep abreast with developments in the profession, relevant industry and regulations.</p> <p>The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively. The Internal Auditors' risk-based approach towards the planning and conduct of internal audits, are consistent with the Group's framework in designing, implementing and monitoring its internal control system. An Internal Audit Planning Memorandum, setting out the internal audit work expected to be carried out for a period of two (2) years, is tabled to the Audit Committee at the beginning of a two (2) year term.</p> <p>Areas for improvements are highlighted to the Audit Committee and the Board, and the implementation of recommendations have consistently been monitored. None of the internal control</p>

	weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the 2017 Annual Report.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to Axcelasia Columbus Sdn Bhd and the internal audit staff 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 ranges from 4 to 5 staff per visit including the Engagement Partner. The staff involved in the internal audit reviews possess 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 Ranjit Singh who has a 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). He has a Master of Business Administration from Heriot-Watt University, Edinburgh, UK.</p> <p>The internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework (IPPF).</p> <p>Key internal controls relating to the following business units of the Group were covered during the financial year ended 31 December 2017:</p> <ul style="list-style-type: none"><li>• Cycle 1: Contract Logistics and Data Management Solution Business</li><li>• Cycle 2: Johor Branch (Ship to Ship Operation, Warehouse and Freight Forwarding)</li></ul>

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

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board strives to ensure there are channels for effective communication with shareholders and all other stakeholders. Announcements, news and all relevant updates are posted on the Company's website and social media sites regularly, and shareholders and other stakeholders can subscribe to the Company's Investor Relations alerts via its website and mobile app, "Century Logistics IR", which will enable subscribers to be alerted whenever new announcements, news or updates are posted to its website. Shareholders may also communicate with the Company on investor relation matters by emailing the Executive Director at invest@cjcentury.com or post their enquiries to the Company through the Company's web enquiry form on its website. The Company's Investor Relations team will endeavour to reply to these enquiries in the shortest possible time.</p> <p>In maintaining the commitment to effective communication with shareholders, the Company releases comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public, which also provides additional disclosure of information on a voluntary basis, where possible and applicable. The Company recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. The Company strives to disclose all price sensitive information to the public as soon as practicable through Bursa Malaysia Securities Berhad, and in disclosing information to the public, the Company is also guided by Bursa Malaysia Securities Berhad's Corporate Disclosure Guide. All public announcements are electronically published and can be assessed at Bursa Securities' website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> or the Company's website at <a href="http://www.cjcentury.com">www.cjcentury.com</a> or the Company's mobile app "Century Logistics IR" which can be downloaded from the Android play store. The Company's website includes dedicated sections for corporate</p>

	<p>governance, investor relations, news and events, and corporate information.</p> <p>Apart from the above, the Annual Report is also one of the main channels of communication between the Company and its stakeholders. The Annual Report, which is prepared in accordance with the requirements of the Main Market Listing Requirements and the Malaysian Code on Corporate Governance, communicates comprehensive information of the financial results and activities undertaken by the Group.</p> <p>The Company despatches its Annual Report to shareholders within three months after financial close, well in advance of the requirements of the Main Market Listing Requirements. The early release of the Annual Report allows shareholders to have timely information about the Company, its operations and performance. All information to shareholders are available electronically as soon as it is announced or published.</p> <p>Another key avenue of communication with its shareholders is the Company's Annual General Meeting, which provides a useful forum for shareholders to engage directly with the Company's Directors. During all General Meetings, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Directors.</p>
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company is not categorised as “Large companies” and hence, have not adopted integrated reporting based on a globally recognised framework. Nonetheless, the Board ensures there is continuous communication between the Company and its 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, as explained under Practice 11.1 above.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Twentieth Annual General Meeting of the Company was held on 21 April 2017, before the Malaysian Code on Corporate Governance came into effect on 26 April 2017. The Company is now giving all shareholders a notice of at least 28 days prior to all Annual General Meetings moving forward, starting with its Twenty-First Annual General Meeting to be held on 27 April 2018.</p> <p>The Notice of General Meeting provides further explanation beyond the minimum content stipulated in the Main Market Listing Requirements for the resolution proposed along with any background information and reports or recommendation that are relevant, where required and necessary, to enable shareholders to make an informed decision in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All the Directors of the Company attended the Twentieth Annual General Meeting of the Company held on 21 April 2017, except for Ahn Jae Ho, due to work commitment. Ahn Jae Ho is not a chair of the Audit, Nomination, Risk Management or other committees. In compliance with the new Malaysian Code on Corporate Governance that came into effect on 26 April 2017, all the Directors of the Company will endeavour to attend all future General Meetings and the Chair of the Audit, Nomination, Risk Management and other committees will provide meaningful response to questions addressed to them.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Shareholders who wish to attend General Meeting are given at least 21 days (in the past) or currently at least 28 days, to ensure that shareholders are able to make the necessary arrangements to attend General Meetings, review agenda items, and formulate questions, if any. Where they are not able to attend, they may appoint proxies to attend on their behalf to vote and represent them. The Chairman had also informed all present at the Twentieth Annual General Meeting that all proxies have the rights to speak, with no restriction as to the qualification of the proxies.</p> <p>General Meetings are always held in the Klang Valley in a well established and convenient location. The Company has less than 5,000 shareholders, and hence, while all practical efforts are taken to ensure that shareholders are able to participate at General Meetings, considering the costs involved, it is not economically justifiable to enable voting in absentia or remote shareholders' participation at General Meetings. Nonetheless, with the advent of technology, proxies who are appointed to attend on behalf can communicate with shareholders instantaneously on matters deliberated at all General Meetings.</p> <p>All polls conducted at the Twentieth Annual General Meetings were voted upon electronically. The Company had engaged Securities Services (Holdings) Sdn Bhd to provide the electronic polling system, while Commercial Quest Sdn Bhd was the appointed scrutineer to verify the poll.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.*

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