

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5080
COMPANY NAME : POH KONG HOLDINGS BERHAD
FINANCIAL YEAR : 31 JULY 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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 is the ultimate decision-making body of the Company, and is responsible for oversight and overall management of the Group.</p> <p>It sets the strategic direction and vision of the Company and takes full responsibility in leading, governing, guiding and monitoring the entire performance of the Group. It enforces standards of accountability, with a view to enabling Management to execute its responsibilities effectively and efficiently to meet the long term goals of the business. The Board has overall responsibility for putting in place a framework of good corporate governance within the Group, including the processes for financial reporting, risk management, internal control and compliance.</p> <p>The Board delegates specific responsibilities to four (4) Committees, namely the Audit Committee ("AC"), Risk Management Committee ("RMC"), Nomination Committee ("NC") and Remuneration Committee ("RC").</p> <p>Board meetings are held regularly so that directors can discharge their responsibility to manage and control the Company's overall performance, strategy and policy, and to monitor closely on the exercise of any delegated authority, and for individual directors to report on their areas of responsibility and duties. In addition to operational and financial issues, Board of Directors must also deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.</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 1.2

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's role includes managing the Board's business and acting as its facilitator . This includes:-</p> <ul style="list-style-type: none"> •Determining Board composition and organization; •Clarifying Board and management responsibilities; •Planning and managing Board and Board Committee meetings; •Developing and evaluating the effectiveness of the Board. <p>The Chairman has to ensure that the Agenda of meetings are convened and properly attended to and that all Directors are given the opportunity to express their views and that decisions made during all meetings adequately reflect the views of the meeting as a whole.</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 :	Departure	
Explanation on application of the practice :	<p>As the Chairman, Dato’ Choon is pivotal in creating the conditions for overall Board and individual Director’s effectiveness</p> <p>As the GMD, he is responsible for developing the Group’s objectives and strategies for approval by the Board having regard to the Group’s responsibilities to its various stakeholders</p> <p>Dato’ Choon has upheld his duties as the Chairman and the GMD respectively as separate and distinct roles with clear division of responsibilities.</p>	
Explanation for departure :	<p>The Group has combine the responsibility of the Chairman and the GMD due to the vast experience and indepth industry knowledge that Dato’ Choon Yee Seiong (“Dato’ Choon”) has in the business. Dato’ Choon’s extensive wealth of expertise and goodwill generated over the years, his combined role has proven beneficial and appropriate for the Group. Hence, the two roles as the Chairman and the GMD remain vested in him for business efficiency and effectiveness</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	<p>Although the Executive Chairman is also the GMD, all decisions of the Board are based on the decision of the majority of the Board Members and matters are deliberated with active participation of the four (4) Independent Non-Executive Directors. Therefore, no individual Director dominates the decision making process unless duly authorised by the Board.</p>	
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 regularly updated and advised by the Company Secretary who is qualified, experienced and knowledgeable on statutory and regulatory requirements relating to the Companies Act, 2016, amendments to the Main Market Listing Requirements of Bursa Securities ("MMLR") and Corporate Governance practices and guidelines, and the implications to the Company and the Directors in relation to their duties and responsibilities. The Company Secretary facilitates the flow of information to the Board and its committees.</p> <p>The Directors have ready and unrestricted access to the advice and services of the Company Secretary pertaining to Board policies, procedures, the Companies Act, 2016, the MMLR, the MCCG2017, and timing of material announcements, to enable them to discharge their duties effectively. The Company Secretary also keeps the Directors and Principal Officers informed of the closed period for trading in the Company's shares.</p> <p>The Company Secretary maintains all secretarial and statutory records 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

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 :	The Board and Board Committee papers are prepared and circulated to the Directors or Board Committee Members at least seven (7) days before the Board and Board Committee meetings.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application :	Applied
Explanation on application of the practice :	<p>The Directors are expected to act in a professional manner and discharge their duties with high ethical values, honesty and accountability with strong commitment to good corporate governance practices.</p> <p>The Board Charter was formalised and adopted in 2014 by the Board which sets out the roles, responsibilities, authorities and operation of the Board and Board Committees. All Board members are aware of their duties and responsibilities.</p> <p>The Board Charter serves as a reference providing guidance to prospective and existing Board members and Management on the fiduciary and stewardship functions of the Company's Directors. It also entrusts Board members and employees to apply the principles and practices of good Corporate Governance in all their dealings in respect of and on behalf of the Company; to help foster a culture of honesty and accountability, and uphold the core values of integrity when dealing with ethical issues.</p> <p>Poh Kong's Board Charter is available on the Company's website and is reviewed annually to Ensure that the Charter remains consistent with the Board's objectives, current law and practices</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>The Board has adopted a Code of Ethics and Conduct for Directors and employees towards their customers, business partners, communities and shareholders. It sets out the ethical standards and underlying core ethical values to guide actions and behaviors of all Directors and employees in conducting the day-to-day duties and operations of the Group</p> <p>Management and employees are expected to observe high standards of integrity and fair dealing in relation to customers, business partners, staff and regulators in the network locations where the Company operates.</p> <p>The Code of Ethics and Conduct is published on the Company's website at www.pohkong.com.my.</p> <p>The Board reviews the Code annually to ensure it remains relevant and appropriate.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 3.2

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

Application :	Applied	
Explanation on application of the practice :	<p>In order to strengthen corporate governance practices across the Group, a Whistle-Blowing Policy was established to provide employees with an accessible avenue to report fraud, corruption, dishonest practices or other similar matters.</p> <p>The aim of this policy is to promote and encourage the reporting of such matters in good faith with the confidence that the staff making such reports will be protected from any retaliation in the form of dismissal, harassment or discrimination at work, or any action in court, in respect of disclosure made by the whistle blower to the regulators</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.1

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

Application :	Departure	
Explanation on application of the practice :	The Board comprises eleven (11) members, of whom seven (7) are Executive Directors and four (4) are Independent Non-Executive Directors. It is a balanced Board and comprises professionals from various backgrounds, with the relevant experience and expertise that would add value to the Group. The mix of experience and talent is vital for the strategic success of the Group.	
Explanation for departure :	The Board has met the MMLR requirement of at least one third of the number of Directors shall be Independent Non-Executive Directors. The Board will review the size of the Board in relation to the proportion of the Executive Directors for Independent Directors Non-Executive Directors from time to time.	
<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 :	Applied
Explanation on application of the practice :	The Board is aware of the recommended tenure of an Independent Director which should not exceed a cumulative or consecutive term of a total of nine (9) years as recommended by MCCG 2017 and that an Independent Director may continue to serve on the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the nine (9) years tenure
Explanation for departure :	<p>Dato' Dr Choong Tuck Yew ("Dato' Dr Choong") and Encik Fazrin Azwar Bin Md Nor ("Encik Fazrin Azwar") were appointed as Independent Non-Executive Directors on 13 Jan 2004 and has been Independent Non-Executive Directors for more than 14 years.</p> <p>However, the Board based on the review and recommendation made by the NC, considers Dato' Dr Choong and Encik Fazrin Azwar, to be independent and recommends that they should continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-</p> <p>The Group has benefited from these long serving Independent Directors who possess detailed knowledge of the Group's business, has proven commitment, integrity, experience, competence and wisdom to effectively advise the Board</p> <p>Dato' Dr Choong and Encik Fazrin Azwar are independent in character and judgment</p> <p>Dato' Dr Choong and Encik Fazrin Azwar have proven business acumen, academic qualifications, professional</p>

	backgrounds and practical skills and have fulfilled the criteria under the definition of Independent Directors as stated in the MMLR	
<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 :	Departure
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 NC is responsible for reviewing recommendations of any new appointments to the Board. In reviewing these recommendations, the NC considers the required mix of skills and experiences which the Directors would bring to the Board and his or her time commitment</p> <p>The key task of the NC is to ensure that the Company recruits and retains the best available Executive and Non-Executive Directors who are competent and are able to guide the Company to meet its strategy and business plan</p> <p>NC has developed a set of criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates</p> <p>The Committee will seek nomination of suitable candidates from the Directors, Management and shareholders of the Company for their assessment before recommending to the Board based on the criteria set.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board practices gender diversity and has six (6) female Directors that represents 54.5% of seats at Board level, out of a total of eleven (11) Directors, even though it does not have a formalized policy on setting targets for female candidates.</p> <p>The Group will continue to identify suitable candidates for appointment to the Board based on merit, competence and contribution that each potential candidate can bring to further strengthen the Board.</p> <p>The evaluation of the suitability of candidates as Board members is solely based on the candidates' competency, character, time commitment, knowledge and experience in meeting the needs of the Group.</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 :	Departure	
Explanation on application of the practice :	<p>The Board relies on recommendations from the Nomination Committee (“NC”) on the suitable candidates to be considered for the appointment as Directors that is facilitated through recommendations from the existing Directors, Management and shareholders of the Company. The Board did not engage any independent sources to identify suitably qualified candidates during the year.</p> <p>The NC is responsible for making recommendations to the Board on the most appropriate Board size and composition. In discharging its responsibilities, the NC has developed a set of criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates</p> <ul style="list-style-type: none"> • skills, knowledge, expertise and experience; • professionalism and integrity; • commitment (including time commitment) and contribution; • background, character and competence; • in the case of candidates for the position of Independent Non-Executive Directors, the NC shall also evaluate the candidates’ ability to discharge such responsibilities and functions as are expected from Independent Non-Executive Directors. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.7

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

Application :	Applied	
Explanation on application of the practice :	The Nomination Committee ("NC") comprises three (3) Non-Executive Directors, who are Independent Director and chaired by Encik Fazrin Azwar Bin Md Nor who is an Independent Non-Executive Director of the Company	
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 NC adopts and conducts on an annual basis the following evaluation:-</p> <ul style="list-style-type: none"> ● Board and Board Committee Evaluation; ● Internal Audit Function Evaluation; ● External Auditor Performance and Independence Evaluation; ● Independent Directors’ self-assessment; ● Directors and Key officers’ evaluation; ● The AC’s financial literacy and evaluation; ● The AC members’ self evaluation; ● The Internal Audit function evaluation; and ● Assessment on Private Sessions with the External Auditors. <p>All assessments and evaluations carried out by the NC are properly documented. The Company Secretary summarizes and compiles the assessments with comments by the Directors. The summaries are tabled at the NC meeting for the NC’s assessment and evaluation. The NC Chairman will then report to the Board on the results of the Directors’ assessment and evaluation.</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 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 RC is responsible for setting up a remuneration policy for the Chairman, CEO and Executive Directors.</p> <p>Also within this policy stipulated are policies on compensation payments, rewards and retirement benefits based on several criteria, such as seniority, their competencies, experience, responsibilities, business acumen and performance. In determining the balance between fixed and performance related packages, the RC further plays a crucial role in ensuring these packages are compatible with HR policies within Poh Kong, at the same time striking an appropriate balance between the interests of shareholders, the Board, senior executives, employees and Poh Kong's culture and values.</p> <p>The RC, in discharging its duties ensures all recommendations and decisions made regarding remuneration and incentive packages are conducted in a transparent, fair and responsible manner and in accordance with the guidelines as stipulated in the remuneration policy</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>Remuneration Committee ("RC") with the authority delegated to it by the Board to assist and advise them, the RC has its own terms of reference and guidelines structured to align and complement the strategic direction and objectives of the Company to ensure its long term success.</p> <p>The Terms of Reference are disclosed on the company's website www.pohkong.com.my</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 assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company’s performance.

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The details of the remuneration of Directors for the Financial Year ended 31 July 2018 are disclosed on a named basis in the Corporate Governance Statement in the Company’s Annual Report 2018.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	<p>The Board is of the view that disclosure of top five Senior Management’s remuneration in bands of Rm 50,000 would be in the Company’s best interest due to the following reasons:</p> <ul style="list-style-type: none"> (1) Create dissention among the senior management; (2) Encourage staff pinching and poaching of senior executives in the industry; (3) Security concerns for the senior management; (4) Confidentiality and sensitivity of personal information.
Explanation for departure	:	<p>The Board wishes to give assurance that the remuneration of Senior Management is based on individual performance, taking into consideration the interest and performance of the Company. The remuneration packages of Senior Management are based on experience, expertise, and skills. The Board opines that the current remuneration package of the senior management are competitive to attract, retain and motivate its Senior Management to manage, lead and operate the Company and brings the company to a greater height</p>
<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

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 :	Departure
Explanation on adoption of the practice :	<p>The Board is of the view that disclosure of each Senior Management's remuneration on named basis would not be in the Company's and senior management's best interest due to to the following reasons:</p> <ul style="list-style-type: none">• Create dissention among the senior management;• Encourage staff pinching and poaching of senior executives in the industry;• Security concerns for the senior management;• Confidentiality and sensitivity of personal information.

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 Chairman of the Audit Committee is Dato’ Esther Tan while the Chairman of the Board is Dato’ Eddie Choon.	
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 :	The Board had on 24 Oct 2018 approved the revised Audit Committee’s (“ AC”) Terms of Reference to include the requirements for a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC.	
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 AC determines the adequacy of the scope, functions, competency and resources of the External Auditors particularly in relation to:-</p> <ul style="list-style-type: none">• Independence of the External Auditors;• Audit process;• Risk assessment and audit approach;• Engagement team and resources;• Proposed audit fee.• The External Auditors' reports in relation to audit and accounting issues arising from the audit, updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board and updates of the new auditing standard. <p>The criteria for the external auditors assessment includes quality of services, sufficiency of resources, communication and interaction, audit planning, independence, objectivity and professional skepticism.</p> <p>In determining the independence of the external auditors, the AC reviewed and assessed all aspects of their relationships with them including the processes, policies and safeguards adopted by the Group and the external auditors relating to audit independence.</p> <p>The AC also reviewed and assessed the external auditor's performance and independence.</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

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	:	Applied
Explanation on adoption of the practice	:	Dato' Esther Tan Choon Hwa Chairperson, Independent Non-Executive Director Dato' Dr Choong Tuck Yew Senior Independent Non-Executive Director Encik Fazrin Azwar Bin Md Nor Independent Non-Executive Director Datin Shirley Yue Shou How Independent Non-Executive Director

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 Committee ("AC") comprises four members, all of whom are Independent Non-Executive Directors appointed by the Board of Directors of Poh Kong Holdings Berhad.</p> <p>All members of the AC are financially literate and two are members of the Malaysian Institute of Accountants.</p> <p>All have undertaken continuous professional development to keep themselves abreast with the relevant developments in the accounting and auditing standards, practices and rules.</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 has established the risk management framework to identify, measure and manage the Group’s principal risks. It recognises that a sound risk management framework is essential to ensure proper management of the risks that may impede the achievement of the Group’s objectives.</p> <p>The Group continues to rely on the Enterprise Risk Management (“ERM”) framework to identify, evaluate and manage the risks and to form the basis of the internal audit plan.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The key features of the ERM framework are as follows:-</p> <ul style="list-style-type: none"> • It outlines the ERM methodology on the identification of key business risks through a structured approach and to determine if controls are in place in mitigating the risks identified. • It establishes guidelines to enable the Management to prioritized the risks and allocation of resources to manage the risks. <p>The Board is supported by the RMC, headed by an Independent Non-Executive Director as Chairperson in reviewing the risk management efforts within the Group.</p> <p>The RMC comprises the Group Managing Director, Executive Directors and two Independent Non-Executive Directors to ensure that the risk management and control framework is embedded into the culture, processes and structures of 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

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	:	Departure
Explanation on adoption of the practice	:	<p>Encik Fazrin Azwar Bin Md Nor Chairman, Independent Non-Executive Director</p> <p>Dato' Esther Tan Choon Hwa Independent Non-Executive Director</p> <p>Dato' Choon Yee Seiong Executive Chairman & Group Managing Director</p> <p>Mr Cheong Teck Chong Executive Director</p> <p>Choon Wan Joo Executive Director</p> <p>Presently, the Risk Management Committee of the Company comprises two Independent Directors and three Executive Directors.</p> <p>In view that the composition of the Risk Management Committee is a "Departure" from Practice 9.30 – Step Up. The Board will take the appropriate steps to ensure that the composition of the Risk Management Committee will "Applied" Practice 9.30 by the next committee meeting in 2019.</p>

Intended Outcome

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

Practice 10.1

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

Application :	Applied	
Explanation on application of the practice :	<p>The AC determines the adequacy of the scope, functions, competency and resources of the Internal Audit department and ensures that it has the necessary authority to carry out its work.</p> <p>The Internal audit department provides independent and reasonable assurance to improve the internal controls of the Company.</p> <p>Its scope encompasses the examination and evaluation of the adequacy, integrity and effectiveness of the Company's overall system of internal control, risk management and governance.</p> <p>In order to maintain its independence and objectivity, the Internal Audit department has no operational responsibility and authority over the activities it audits.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Manager, Ms Chua Hooi Beng and all internal audit personnel have no relationship or conflict of interest which may impair their objectivity and independence.</p> <p>The Company has a total of 15 internal audit personnel in the Audit Department</p> <p>Ms Chua Hooi Beng, is a Fellow member of Malaysian Institute of Accountant (“MIA”) , Association of Chartered Certified Accountant (“ACCA”), Institute of Internal Auditors (“IIA”) and Certified Internal Auditor (“CIA”)</p> <p>The internal audit function is carried out in accordance with the recognized framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board has ensured timely disclosure of material information pertaining to the Company's performance and operations to the public, in accordance with the disclosure requirements under the MMLR and other applicable laws. It has formalised a written Corporate Disclosure Policy for the Group, a copy of which is available in the Company's website www.pohkong.com.my</p> <p>The Board has established a dedicated section on the Company's website for corporate information on the Company's announcements, financial information, annual reports, quarterly reports, dividend paid, share prices and analysts' reports which can be assessed. The website is the key communication channel for the Company to reach its shareholders and general public</p> <p>The website enhances the investor relations function and includes a corporate newsroom investment calculator of stocks, as well as enquiries.</p> <p>Shareholders and the general public may direct their enquiries via "Information Request" and the Company's IR contact will endeavor to reply to these queries.</p> <p>Shareholders can also access historical data and stocks chart information by clicking on the subject matter in the website.</p>
Explanation for departure	:
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:		
Timeframe	:		

Intended Outcome

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 :	Not applicable	
Explanation on application of the practice :		
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 12.1

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 Company dispatches its notice of AGM and related papers to shareholders at least twenty one (21) days before the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed.</p> <p>The Notice of AGM and the Annual Reports will be dispatched on 30 Nov 2018 while AGM will be held on 11 Jan 2019. Thus there is effectively a 43 days notice prior to the AGM.</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 attend the Annual General Meetings (“AGM”).</p> <p>The Chair of the Audit, Nominating, Risk Management and other committees will be present at the AGM to provide response to questions addressed to them by the shareholders during the AGM.</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 :	Not applicable	
Explanation on application of the practice :		
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 :		

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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