

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7187  
**COMPANY NAME** : BOON KOON GROUP BERHAD  
**FINANCIAL YEAR** : March 31, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the overall corporate governance of the Group, including the strategic direction, risk management and establishes the vision and strategic objectives of the Group for development which includes management development, succession planning and policies to ensure all procedures within the Group are to be carried out in a systematic and orderly manner to ease the decision-making process.</p> <p>The Board recognises its duties and responsibilities as detailed in the Board Charter as expectations on how they discharge their duties and this Board Charter shall also be used as a guide to assess their own performance.</p> <p>The Board assumes the following principal functions and responsibilities:-</p> <ul style="list-style-type: none"> <li>a) Review, approve and monitor the overall strategies and direction of the Group;</li> <li>b) Identify the principal risks and implement appropriate system to manage such risks;</li> <li>c) Oversee and evaluate the conduct and performance of the Group's business;</li> <li>d) Review the adequacy of the Group's internal control policy; and</li> <li>e) Ensure that appropriate plans are in place in respect of the succession plan of the Group.</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

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>	:	The present Chairman of the Board is Datuk Seri Chiau Beng Teik who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The key responsibilities of the Chairman are as follows:-  a) Oversee and lead the Board to ensure effective performance of the Board; b) Facilitating the effective contribution of all Directors at Board meetings; c) Ensuring all strategic and critical issues are considered by the Board and directors receive the relevant information on a timely basis; and d) Ensuring compliance with all relevant regulations and legislation.	
<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 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and the Deputy Chief Executive Officer (DCEO) are held by different individuals. The Group has a clear distinction and separation of roles between the Chairman and the DCEO, with clear division of responsibilities in order to ensure a clear balance of power between the Chairman and the DCEO.</p> <p>The Chairman leads the Board in its collective oversight of management, while the DCEO is primarily responsible for the day-to-day management of the Group. He is responsible for developing the business direction of the Group, ensure that the business strategies and policies are effectively implemented and to explain, clarify and inform the Board on matters pertaining to the Group.</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 1.4

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 Board is supported by experienced, competent, and knowledgeable Company Secretaries who are qualified to act as Company secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretaries play an advisory role to the Board particularly with regard to the constitution of the Company and the Company's compliance with regulatory requirements, rules, guidelines and legislation as well as the best practices of corporate governance.</p> <p>The Board is regularly updated and advised by the Company Secretaries on new statutory as well as regulatory requirements. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretaries and the senior management.</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>	:	<p>The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. Unless otherwise agreed, all Directors are provided with the agenda and a set of Board papers at least seven (7) days before each Board Meeting is convened. This is to ensure that the Directors are given sufficient time to read the Board papers and seek any clarification that they may need from management or to consult the Company Secretaries or independent advisers before the Board Meetings, if necessary. In addition to discussing the Group's performances in the meeting, certain matters which are reserved specifically for the Board's decision are discussed. These includes the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group and key policies, procedures and authority limits.</p> <p>The Company Secretaries ensures there is a quorum for all meetings and that such meetings are convened in accordance with the relevant Terms of Reference. The minutes prepared by the Company Secretaries memorialise the proceedings of all meetings including pertinent issues, the substances of inquiries and responses, members' suggestion and the decision made. This reflects the fulfillment of the Board's fiduciary duties and the significant oversight role performed by the respective Board Committees.</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

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 adopted a Board Charter to provide a reference for Directors in relation to the Board's role, duties and responsibilities, division of responsibilities between the Board, the Board Committees, the Chairman and CEO. The Board Charter reflects the matters reserved for the Board's consideration and approval. The Board Charter is subject to review periodically in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.</p> <p>The Board structure ensures a balance and that no individual or group of individuals dominates the Board's decision-making process. The role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Executive Director is deliberated on and that an objective view is established to protect the interests of all stakeholders.</p> <p>The Board has delegated specific tasks to three (3) committees which have their own respective terms of reference and has the authority to act on behalf of the Board as follows:</p> <p>(i) Audit Committee;  (ii) Nomination Committee; and  (iii) Remuneration Committee.</p> <p>The Board Charter and the Terms of Reference of the respective committees are made available on the Company's website at <a href="http://www.boonkoon.com">www.boonkoon.com</a>.</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 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>	:	The Board continues to adhere to the Company's Code of Conduct and Ethics ("the Code"). The Code is to assist the directors and all personnel of the Group in defining the ethical standards based on trustworthiness and values as well as uphold the spirit of responsibility in line with the regulations, legislation, and guideline for administration of the Company. A copy of the Code is available for reference at the Company's website at <a href="http://www.boonkoon.com">www.boonkoon.com</a> .
<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 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>	:	<p>The Board has established a Whistleblowing Policy to improve the overall organisational effectiveness and uphold the Group's business ethics of honesty, integrity and transparency on 6 July 2018.</p> <p>The Whistleblowing Policy is intended to provide and facilitate a mechanism for employees and other stakeholders can report their concerns related to any suspected and/or known unethical, unlawful, fraud, corruption or other improper conduct without fear of reprisal or intimidation.</p> <p>Employees and other stakeholders are encouraging to report genuine concerns of breach of legal obligation, miscarriage of justice, danger of health and safety or to the environment and the cover-up of any of these in the workplace to be reported and email to:</p> <p>Attention : Mr Khoo Chee Siang Designation : Audit Committee Chairman Email : <a href="mailto:kcsiang@hotmail.com">kcsiang@hotmail.com</a></p> <p>The Whistleblowing Policy can be accessed at the Company's website at <a href="http://www.boonkoon.com">www.boonkoon.com</a>.</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 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board currently comprises of six (6) members, of which one (1) is Executive Director, three (3) Non-Independent and Non-Executive Directors and two (2) Independent Non-Executive Directors. The composition of two (2) Independent Non-Executive Directors meets the one-third requirement for independent directors to be appointed to the Board under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Board is mindful of Practice 4.1 of the MCG 2017 which stated “at least half of the board comprises Independent Directors. For Large Companies, the Board comprises a majority independent directors.” Notwithstanding this, the Board is of the view that there is balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objective as the Independent Non- Executive Directors of the Company has play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. Further, all the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board’s deliberations.</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 4.2

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 - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	The Nomination Committee and the Board have assessed the independence of the Independent Non- Executive Director i.e. Mr Ho Kok Loon, who has served the Company as an Independent Non-Executive Director of the Company for a cumulative terms of more than nine (9) years, and is of the view that the length of service of the independent director does not affect his independent judgement as he is independent-minded and he continues to provide the necessary checks, balances and act in the best interest of the Company.  The Nomination Committee and the Board recommend Mr Ho Kok Loon to continue to act as the Independent Non-Executive Director of the Company and the relevant motion on the subject matter will be presented to the shareholders for approval at forthcoming AGM.	
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Board Charter has set the policy which limits the tenure of its independent directors to nine (9) years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

**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 Nomination Committee is responsible for proposing new candidates for appointment to the Board. The Nomination Committee considers and recommends to the Board candidates of sufficient skills, knowledge, experience, reliability, professionalism and experience to fulfill the duties of a director.</p> <p>When considering new appointment, the Nomination Committee shall evaluate the balance of skills, knowledge and experience on the board. In identifying suitable candidates the Committee shall consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.</p> <p>The Nomination Committee and the Board does not set any target on gender diversity. The Company will provide equal opportunity to candidates with merit. Nevertheless, the Board will give consideration to the gender diversity objectives.</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>	:	The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. However, the Company currently does not have a policy on boardroom diversity, including gender, ethnicity and age diversity. The Company will provide equal opportunity to candidates with merit. Nonetheless, the Board will give consideration to the gender diversity objectives.	
		The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. Currently, the Board does not comprise of any female director. In line with the country's aspirational target of 30% representation of women on boards, the Board may consider appointing females onto the Board in future to bring about a more diverse perspective.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**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>	:	<p>Currently, the sources to identify suitably qualified candidates for appointment of directors are on recommendations from existing board members, senior management or major shareholders.</p> <p>The Board and Nomination Committee would not hesitate to utilise independent sources to identify suitably qualified candidates where necessary.</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 4.7**

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 Mr Khoo Chee Siang who is an Independent Non-Executive 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>The Nomination Committee has developed criteria to assess the effectiveness of the Board, the Board committees and individual Director. The evaluation on the Board's effectiveness is divided into four sections on the following key areas:-</p> <ul style="list-style-type: none"><li>• Adding value</li><li>• Conformance</li><li>• Stakeholder Relationship</li><li>• Performance management</li></ul> <p>The process also assess the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.</p> <p>The Nomination Committee also undertakes annual assessment of the independence of its independent directors based on required mix skills, criteria of independence as per requirements of Main Market Listing Requirements.</p> <p>The results of the evaluation were summarised by the Company Secretaries and discussed by the Nomination Committee which were then reported to the Board. The Board reviewed the results of the evaluation and is satisfied with the current composition of Board members and believes that it is well balanced with the right mix of high-calibre individuals with the necessary skills and qualifications, credibility and independence to discharge its duties and responsibilities effectively.</p>
<b>Explanation for departure</b>	:	

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

<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>The Remuneration Committee's primary responsibilities are to recommend to the Board from time to time, the remuneration package and terms of employment of each Executive Director. Each Executive Director is to abstain from deliberating and voting on the decision in respect of his/her own remuneration package. The Board as a whole decides on the remuneration of the Non-Executive Directors. The individual concerned is to abstain from deliberating his/her own remuneration package. All Directors' fees and other benefits payable to the Directors must be approved by the shareholders at the Annual General Meeting.</p> <p>The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the caliber needed to manage the Group successfully. In the case of Executive Directors, the component parts of their remuneration are structured to link rewards to corporate and individual performances. For Non-Executive Directors, their level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.</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 6.2

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>	:	The Remuneration Committee carried out its duties in accordance with its terms of reference which can be obtained from the Company's website at <a href="http://www.boonkoon.com">www.boonkoon.com</a> .	
<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 7.1

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>	:	Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorised into appropriate components for the financial year ended 31 March 2018 was disclosed in Pages 26 to 28 of the Company's Annual Report 2018.	
<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 7.2

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The top five Senior Management of the Company (including its direct held subsidiary) are Mr Chow Siew Kheng, Dr Goh Peng Yeong, Ms Kan Keat Peng, Mr Lee Boon Lian and Mr Khor Choon Wooi. The aggregate remuneration of these top five Senior Management received in 2018 was RM0.87 million representing 14.67% of the total employees' remuneration of the Group.</p> <p>The remuneration of the aforesaid top five senior management is a combination of annual salary, benefits-in-kind and other emoluments which are determined in a similar manner as other management employee of the Company. This is based on their individual performance and the overall performance of the Company.</p> <p>The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and bands and the top five Senior Management's total combined remuneration package should meet the intended objectives of the MCCG 2017.</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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<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>	:	The Chairman of the Audit Committee, Mr Khoo Chee Siang, is an Independent Non-Executive Director and is not the Chairman of the Board.	
<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 8.2**

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>	:	The Audit Committee recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.	
<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>	:	The Audit Committee has assessed and evaluated the suitability, effectiveness and independence of the External Auditors. The annual assessment of the External Auditors encompassed areas such as calibre, quality processes/performance, audit team, independence and objectivity, audit scope and planning, audit fees as well as the audit communications of the External Auditors.	
<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>The members of the Audit Committee of the Company had complied with the Main Market Listing Requirements of Bursa Securities of which at least one (1) member with the requisite accounting qualification.</p> <p>Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The Audit Committee will undertake the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their 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

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>	:	The Board recognises the importance of risk management and internal controls in the overall management processes.  The Group has established an internal control system and risk management framework which is adopted by the Group and its business units to ensure the effectiveness of identification, analysis, assessment, monitoring and communication of risks and internal control issues that will allow the Group to safeguard shareholders investments and assets by mitigating losses and maximising opportunities.	
<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 9.2

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>Key elements that have been established in the Group's risk management and internal control system are described below: -</p> <p><b>1. Risk Management</b></p> <p>The Group's risk management framework comprises of the following key elements: -</p> <ul style="list-style-type: none"> <li>➤ identify risk that could affect the achievement of the Group's business objective;</li> <li>➤ assessment and analysis of likelihood, impact and consequences of risk identified;</li> <li>➤ evaluation on the effectiveness and adequacy of existing controls;</li> <li>➤ determine appropriate response strategy or additional controls;</li> <li>➤ monitoring and report of risks across the Group.</li> </ul> <p>At strategic level, business plans, strategies and investment proposals with risk consideration are formulated by the DCEO, COO and Management team and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite.</p> <p>Any changes in the key operational risks or emergence of new key business risks are identified through daily operational management, controls and review of financial and operational reports by the respective level of Management. Any critical and material risks shall be highlighted to the Board for final decision on the formulation and implementation of effective internal controls.</p> <p>The Group's risk monitoring and management is enhanced by the internal audit function, in which risk-based internal audit review was carried out based on the internal audit plan approved by the Audit Committee after considering the risk areas of the Group.</p> <p><b>2. Internal Controls</b></p> <p>The key salient features of the Group's system of internal controls are as follows: -</p>

### Board of Directors/ Board Committees

Board Committees (i.e. Audit Committee, Nomination Committee and Remuneration Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of references as stated in the Group's website.

Meetings of the Board and respective Board Committees are carried out on quarterly basis to review the performance of the Group, from financial to operational perspectives. The quarterly financial performance review containing key financial results and previous corresponding financial results are presented to the Audit Committee for review and the Board for approval for public release.

### Standard Operating Procedures

The Group has a set of well-established standard operating procedures covering all critical and significant facets of the Group's operating process at its subsidiary level.

The standard operating procedures are being reviewed periodically or as and when the circumstances warrants to ensure that these documentations remain current and relevant. Compliance with these procedures is an essential element of the risk management and internal control framework.

### Organisation Structure and Authorisation Procedure

The Group has a formal organisation structure in place to ensure appropriate level of authority and responsibilities are delegated appropriately to competent staffs so as to achieve operational effectiveness and efficiency.

The authorisation requirement of the key internal control points of key business processes are included in the standard operating procedures of the Group.

### Reporting and Communication

At operational level, clear reporting lines established across the Group. Deputy Chief Executive Officer and Chief Operating Officer who is aided by the Management team is responsible for the day-to-day management functions. Monthly meetings are held to discuss operational and financial aspects of the business. Deputy Chief Executive Officer and Chief Operating Officer shall oversee all management meetings conducted. These meetings usually involve the review of financial performance, operational and business issues including risk management and internal control matters.

Action-plans are constructed for issues identified during the monthly meeting. Follow-up meetings are conducted to monitor progress of the implementation and if necessary, alteration is done to the implementation so that the planned action achieves its purpose.

Matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely manner.

	<p>Communication with external stakeholders are channelled through the Group's website, annual reports and announcements made in Bursa Securities' website.</p> <p><b>3. Internal Audit Function</b></p> <p>The Board recognises the importance of a sound system of risk management and internal control to safeguard the shareholders' investment, stakeholders' interest and the Group's assets. To ensure the system of internal control is functioning effectively, the internal audit function of the Group has been outsourced to a professional services firm. The external professional services firm shall provide the Audit Committee and the Board an independent professional assessment on the adequacy, efficiency and effectiveness of the Group's internal control systems.</p> <p>The outsourced internal auditor reports directly to the Audit Committee and the internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.</p> <p>Generally, internal control review procedures performed by our outsourced internal auditor are designed to review related controls so as to determine the adequacy of risk management and control structures and to formulate recommendations for improvement thereon.</p> <p>The internal audit reports which consist of internal audit findings, recommendations, as well as management responses and action plans were presented and deliberated by the Audit Committee. Updates on the follow-up status of the action plans identified in the previous internal audit report were also presented to the Audit Committee.</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**

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 Group has outsourced the internal audit function to an independent professional firm, which is independent of the activities and operations of the Group. The Internal Auditors work within the scope of an audit plan, which has been approved by the Audit Committee, to review and test the adequacy and effectiveness of the internal controls of the Group. The external Auditors will, in the course of their statutory audit, conduct a review of the internal control procedures and highlight any internal control weaknesses which have come to their attention. All such findings and recommendations made by the Internal and External Auditors are reported to the Audit Committee. Any significant issues are discussed at the Audit Committee meetings.</p> <p>The Internal Auditors will follow up on all its recommendations to ensure that management has implemented them in a timely and appropriate fashion. The Internal Auditors support the Audit Committee in its role to assess the effectiveness of the Group's overall system of internal controls. The assistance provided by the Internal Auditors is primarily accomplished through their appraisals of the financial and operational controls, policies and procedures established by Deputy Chief Executive Officer and management, and their reviews for compliance by the Group's operating entities with these established controls, policies and procedures. The Internal Auditors report directly to the Audit Committee on audit matters.</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 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 outsourced Internal Audit firm appointed by the Group is Eco Asia Advisory Sdn Bhd, an independent professional internal audit service provider and the consultancy is manned by professionally qualified and experienced staff. For each internal audit review, a team of at least 3 internal audit personnel led by Mr Woon Soon Fai and Ms Kelly Neng will be assigned by Eco Asia Advisory Sdn Bhd to undertake an review in accordance to the internal audit plan approved by the Audit Committee. Mr Woon Soon Fai is a Fellow Member of The Association of Chartered Certified Accountants (“ACCA”) and a Member of Malaysian Institute of Accountants (“MIA”). Whereas, Ms Kelly Neng is a Member of the ACCA, MIA and a honors degree holder in Business and Accounting. The internal auditors are free from any relationships or conflict of interest which could impair their objectivity and independence.</p> <p>The Internal Audit function adopts an Internal Audit framework with processes based on the standards recommended by the International Professional Practices Framework of the Institute of Internal Auditors.</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

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>Along with good corporate governance practices, the Company is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis.</p> <p>In line with this commitment and in order to enhance transparency and accountability, the Board has adopted an Internal Corporate Disclosure Policies and Procedures to facilitate the handling and disclosure of material information in a timely and accurate manner.</p> <p>Information of the Group is also accessible through the Company's website at <a href="http://www.boonkoon.com">www.boonkoon.com</a> which is updated on a regular basis. Information available in the website includes among others the Group's Annual Report, quarterly financial announcements, major and significant announcements.</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

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company is not categorised as a large company as defined in the Main Market Listing Requirements of Bursa Securities. The Group's annual report for the financial year ended 31 March 2018 adopt partly the integrated reporting approach which covers the Group's strategy, performance, governance and future business prospects are connected towards achieving value creation for its shareholders.	
<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 12.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is endeavor to dispatch its notice of AGM at least twenty-eight (28) days before the meeting and mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate the AGM.</p> <p>The Company Act 2016 and the Main Market Listing Requirements of Bursa Securities provided that the notice covering an annual general meeting shall be given to all shareholders at least twenty-one (21) days before the meeting.</p> <p>The notice of AGM together with a copy of the Company's Annual Report for the financial year ended 31 March 2018 will be dispatched to shareholders at least twenty-one (21) days before the meeting as required under the Companies Act 2016 and Main Market Listing Requirements of Bursa Securities. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published at least in a major local newspaper.</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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**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>	:	Shareholders are given the opportunity to raise questions pertaining to the Annual report, corporate developments, resolutions and businesses of the Group at the AGM. Barring unforeseen circumstances, all Directors and Senior Management will present at the AGM in order to provide meaningful responses if necessary.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meetings is by way of attending in person or by proxy. If necessary, the Group would embark on electronic voting and remote shareholder participation if our shareholders request for such services.
		The shareholders are allowed to appoint any person(s) as their proxy to attend, participate, speak and vote in their stead at a general meeting.
		The Company may consider exploring a suitable and reliable system to facilitate the electronic voting in future.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

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

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

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