

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7016
COMPANY NAME : CHUAN HUAT RESOURCES BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Main Market 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 Main Market 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	:	The Group is controlled and led by a dynamic Board. It has a balanced board composition with effective Independent Directors. The Board acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.
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	:	The Chairman of the Board is Tan Sri Dato' Sri Dr. Abdul Aziz bin Abdul Rahman and is primarily responsible for the effective conduct of the Board and ensuring that all Directors have full and timely access to all relevant information necessary for informed decision making. The Chairman encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings in order to reflect the consensus of the whole Board and not the views of any individual or group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	There is a distinct and clear division of the roles and responsibilities between the Chairman of the Board and the Group's CEO/Group Managing Director to ensure that there is a proper balance of power and authority. The Chairman Board is Tan Sri Dato' Sri Dr. Abdul Aziz bin Abdul Rahman who is primarily responsible for the effective conduct of the Board. The CEO/Group Managing Director of the Group is Dato' Lim Khoon Heng who has overall responsibilities over the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by the Group's Company Secretary, Ms. Foo Siew Loon (MAICSA 7006874) who will be ensuring the Board and Shareholder meetings procedures are followed and that all applicable regulations are complied with. The Company Secretary is also responsible for advising the Directors of their obligations and duties, disclosures of their interest in securities, disclosure of any conflict of interest in any transactions involving the Group, prohibition on dealings in securities and restrictions on disclosures of price-sensitive information.</p> <p>The Board is also regularly updated from time to time by the Company Secretary on updates to the regulations and guidelines, as well as any amendments thereto issued by Bursa Securities, Securities Commission, Companies Commission of Malaysia and other relevant regulatory authorities.</p> <p>The Company Secretary consistently advocate adoption of corporate governance best practices for 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

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 members of the Board in their individual capacity have full and timely access to information with Board papers distributed in advance of meetings for the discharge of their duties and responsibilities. Prior to the meetings of the Board, Board papers which include the agenda, minutes of the previous meetings and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, were circulated to all the directors. The Board meets, reviews and approves all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Securities.
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 Board is guided by a Board Charter which sets out the principles governing the Board and the respective roles and responsibilities of the board, board committees, individual directors and management and adopts the principles of good governance and practice in accordance with applicable laws and regulations in Malaysia.</p> <p>The Board shall periodically review and update its Board Charter to ensure compliance with the regulatory and legal requirements, which will take precedence over any stipulation of the Board Charter, and in accordance with the needs of the Company/Group that may have an impact on the discharge of the Board's duties and responsibilities. The board charter is published on the Company's corporate website – www.chuanhuat.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

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 observes the Code of Ethics for the Company Director issued by the Companies Commission of Malaysia ("CCM") – Regulatory Code of Ethics.</p> <p>The CCM - Regulatory Code of Ethics provides the ground rules and guidance for proper standard of conduct and ethical behaviour for the Board based on the principle of sincerity, integrity, responsibility and corporate social responsibility.</p> <p>The Group has adopted a standard "CHRB Code of Conduct and Ethics" relating to its operations for all its employees. New employees will be briefed on the CHRB Code of Ethics as documented in the CHRB Employee's Handbook upon joining. The CHRB Code of Conduct and Ethics is available on the Company's corporate website – www.chuanhuat.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

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's Whistle Blowing Policy was established with the intention of promoting the highest standard of corporate governance and business integrity which aims to provide an avenue for all employees of the Group and members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve them effectively.</p> <p>The full details of the Group's Whistle Blowing Policy is available on the Company's corporate website – www.chuanhuat.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

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is made-up of seven (7) members; comprising one (1) CEO/Group Managing Director, two (2) Executive Director and four (4) Independent Non-Executive Directors.</p> <p>The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities. The key elements for fulfilling the criteria are the appointment of an Independent Director who is not a member of management (a Non-Executive Director) and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests 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 4.2

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 - Two Tier Voting
Explanation on application of the practice	:	<p>The Board believes that valuable contributions can be obtained from Directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making process of the Board, notwithstanding their tenure on the board.</p> <p>Mr. Dali Kumar @ Dali bin Sardar has been serving for a period of 19 years on the Board of the Company. Notwithstanding his long tenure in office and based on the recommendation of the Nomination and Remuneration Committee ("NRC"), the board is unanimous in its opinion that Mr. Dali Kumar @ Dali bin Sardar's independence has not been impaired or compromised and the Board will seek the shareholders' approval for Mr. Dali Kumar @ Dali bin Sardar to continue serving as an Independent Non-Executive Director 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

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board comprises individuals who are committed to business integrity and professionalism in all its activities. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the deliberation.</p> <p>Board and senior management membership is dependent on each candidate's skills, experience, core competencies and other qualities as well as the needs of the Company for the time being, regardless of cultural background and gender.</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board has yet to adopt a gender diversity policy. Board membership is dependent on each candidate's skills, experience, core competencies and other qualities as well as the needs of the Company for the time being, regardless of gender. The Board does not consider gender to be a bar to Board membership.
	:	The Board through the Nomination and Remuneration Committee will continue to assess the needs to adopt a gender diversity policy.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee which is responsible for identifying and recommending suitable candidates for the Board does have the liberty to rely on external source for candidates to be recommended to the Board, nominees to be appointed as members of the Board, its Committees and Senior Management.</p> <p>The Nomination and Remuneration Committee will also consider and makes its recommendations of candidates for directorship proposed by the CEO/Group Managing Director and, within the bounds of practicability, by any other Director or Shareholder.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Nomination and Remuneration Committee is Tan Sri Dato' Sri Dr. Abdul Aziz bin Abdul Rahman who is an Independent Non –Executive Director of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	The Board undertakes an annual assessment of the Directors which involves a peer and self-assessment carried out by the Directors. The results, in particular the key strength and weaknesses identified from the evaluation, will be shared with the Board to allow enhancements to be undertaken.	
Explanation for departure	:		
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Nomination and Remuneration Committee reviews the remuneration of the Board and Senior Management annually with input from the Group’s Head of Human Resources with a view to ensure the Company offers fair compensation and is able to attract and retain talent who can add value to the Group.</p> <p>The above policies and procedures are currently not made available on the Company’s corporate website as the formal written policies and procedures are still not available.</p>	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	The written Terms of Reference and activities of the Nomination and Remuneration Committee are described on pages 19 to 20 of the Annual Report 2017 of Chuan Huat Resources Berhad and are disclosed in the Company's corporate website – www.chuanhuat.com.my
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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Group is of the view that if the Group was to disclose salary, bonus, benefits-in-kind and other emoluments of Directors and Senior Management on a named basis that it would be detrimental to the Group's management of human resources due to the competitive environment for resources within the industries that the Group operates in.
		As an alternative, the Company has disclosed the fees, salaries, defined contribution and other emoluments in a summary basis as disclosed in page 21 of the Annual Report 2017 of Chuan Huat Resources Berhad.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Group is of the view that if the Group was to disclosure salary, bonus, benefits-in-kind and other emoluments of Directors and Senior Management on a named basis that it would be detrimental to the Group's management of human resources due to the competitive environment for resources within the industries that the Group operates in.
	:	As an alternative, the Company has disclosed the top senior management's remuneration components in bands width of RM50,00 but not on named basis due to confidentiality and sensitivity of the remuneration package as disclosed in page 22 of the Annual Report 2017 of Chuan Huat Resources Berhad.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The chairman of the Audit and Risk Management Committee is Mr Lim Kah Poon whilst the The Chairman of the Board is Tan Sri Dato’ Sri Dr. Abdul Aziz bin Abdul Rahman	
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	:	None of the members of the Audit and Risk Management Committee is a former key audit partner. The Group will observed a cooling-off period of at least two (2) years in the event of any potential candidate to be appointed as member of the Audit and Risk Management Committee was a key audit partner.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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 Audit and Risk Management Committee has a formal and transparent relationship with the External Auditors. The Audit and Risk Management Committee recommends to the Board on the appointment of the External Auditor which is subject to the approval of the shareholders at the Annual General Meeting whilst their remuneration is determined by the Board.</p> <p>Audit and Risk Management Committee has policies and procedures which are to conduct annual assessment of the External Auditors. Areas of assessment include the objectivity and independence, size and competency of the audit team, audit strategy, audit reporting, partner involvement and audit fees.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit and Risk Management Committee are appointed by the Board from amongst its members and consists of no fewer than three members, all the members are Independent Directors

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit and Risk Management Committee is Mr. Lim Kah Poon and he is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants ("MIA").</p> <p>All members are financially literate and are able to understand matters under the purview of the Audit and Risk Management Committee including the financial reporting process.</p> <p>All members undertake the continuous professional development to keep themselves abreast of relevant developments in 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 acknowledges its responsibility for maintaining a sound risk management and internal control system to safeguard the shareholders' investment, the interest of customers and the Group's assets as well as reviewing its effectiveness, adequacy and integrity. The Board's responsibility in relation to the system of internal control extends to all subsidiaries of the Group. The system of internal control covers not only financial controls but operational and compliance controls.</p> <p>Owing to the inherent limitations, the internal controls implemented are intended to reasonably manage but not expected to eliminate all risks of failure to achieve business and corporate objectives of the Group and can only provide reasonable and not absolute assurance against material misstatements, financial losses and fraud.</p> <p>The Board confirms that through its Audit and Risk Management Committee, there is an ongoing process to regularly review the results of this process, including mitigating measures taken by Management to address areas of key risks identified for the Group which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.</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 objective of risk management and internal control processes is to add maximum sustainable value to all the business activities in the Group. Risk management and internal control systems are in place to enhance the efficiency and effectiveness of the Group's operations. Such measures will help to minimise possible risks and uncertainties so that the Group will be able to achieve its set objectives and goals.</p> <p>The Board recognises the importance of maintaining an adequate and effective risk management and internal control system and has implemented an Enterprise Risk Management (ERM) Framework. This framework includes a risk management process which is on-going and results in the compilation of a specific risk profile and action plans for mitigating the identified risks.</p> <p>In this context, the risk management function is coordinated by the outsourced internal audit professional consultant whereby the process is integrated into the operation system of the respective subsidiaries within the Group with each manager and head of department assigned to ensure appropriate risk response actions are carried out in a timely manner.</p> <p>The Audit and Risk Management Committee and the Board meet at least once every quarter to review the adequacy, effectiveness and integrity of the system of internal controls in the Group and to ensure relevant mitigating controls are carried out to mitigate the significant business risks faced by 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

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit and Risk Management Committee are established by the Board from amongst its members and consists of three (3) members, all the members are Independent Directors

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 outsourced internal audit services provides support to the Audit and Risk Management Committee in discharging it's duties with respect to the adequacy and integrity of the system of internal controls within the Group.</p> <p>During the year under review, Internal Auditors carried out audit based on the internal audit plan approved by the Audit and Risk Management Committee. The audit findings are deliberated and resolved with the management. The Audit and Risk Management Committee on behalf of the Board, reviews internal control issues identified and recommendations from reports by the Internal and External Auditors on a regular basis.</p> <p>Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's Annual Report.</p> <p>The internal audit function also ensures that the Management follows up in the implementation of action plans where control deficiencies were noted during the internal audits.</p> <p>The Board is updated on the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's outsourced Internal Auditors as well as the Group's Management team. The findings of the Internal Auditor are regularly reported to the Audit and Risk Management Committee. Full details are explained in the Statement on Risk management and Internal Control on pages 27 to 29 of the Annual Report 2017 of Chuan Huat Resources Berhad.</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 Board acknowledged and the Audit and Risk Management Committee had put emphasis on the importance of having an internal audit function within the Group and as such, had outsourced its internal audit function to an independent consulting firm, PKF Advisory Sdn Bhd (“Internal Auditors”), to assist the Board and the Audit and Risk Management Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Groups’ internal control and risk management system.</p> <p>The team from PKF Advisory Sdn Bhd is led by Dato’ Josephine Low, the Director of Risk and Governance Advisory. She is a Certified Internal Auditor, Certified Information System Auditors and Certified Fraud Examiner with over 20 years of experience in a wide range of governance advisory, risk and internal audit work.</p> <p>The internal audit function consists of 9 professional internal auditors. None of the internal auditors is in any relationships or conflicts of interest with the Company.</p> <p>The internal auditor reports directly to the Audit Committee and the review is carried out in accordance with the International Professional Practices Framework of Internal Auditing.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

There is 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 Company recognises the importance of communicating with its shareholders and stakeholders and does this through the Annual Report, Annual General Meeting, Company's website and analyst meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders a clear and complete picture of the Company's performance and position. The Company endeavours to provide timely disclosures to the shareholders and all required/ material announcements will be released immediately when the matters are triggered.</p> <p>The key elements of the Company's dialogue with its shareholders is the opportunity to gather the views of and answer questions from both private and institutional shareholders on all issues relevant to the Company at the Annual General Meeting. At the Annual General Meeting, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference may be held immediately after the Annual General Meeting where the Group's Managing Director informs the press of the resolutions passed and answers questions on the Group's operation. The Executive Directors are also present at the press conference to clarify and explain any issue.</p> <p>The Company also responds to fund managers, institutional investors, investment analysts and members of media upon request, to brief them on key events of the Company. Investors' and analysts' feedback are sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	At this stage, the Group being not a “Large Companies” has not identified any integrated reporting based on a globally recognised framework/system that can served as continuous communication between the Group and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.	
		The Group will consider adopting an integrated reporting based on a globally recognised framework/system after in depth appraisal by the Directors of the benefits against the cost.	
<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	:	The forthcoming 24 th Annual General Meeting of the Company will be held on 28 May 2018. The Notice for the 24 th Annual General Meeting was dated on 30 April 2018, 28 days prior to the meeting.	
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	:	All members of the Board including The Chair of the Audit and Risk Management Committee and the Nomination and Remuneration Committee of the Company have given their assurance and are committed to attend the General Meeting 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

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	:	Applied	
Explanation on application of the practice	:	<p>The Company General meeting is always held within the Kuala Lumpur city limits and which is easily accessible, not in any remote location.</p> <p>Shareholders are entitled to vote in their absence by appointment of proxy/proxies. Proxy Form is always included in the Notice to the General Meeting.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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

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

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