

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7935  
**COMPANY NAME** : MILUX CORPORATION BERHAD  
**FINANCIAL YEAR** : 31 DECEMBER 2018

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is responsible for the leadership, oversight and the long-term success of the Group.</p> <p>The Board has made the following Commitment:-</p> <p><b><u>Milux's Commitment</u></b></p> <p><i>Milux is committed to provide top quality and innovative products which are in line with the Company's philosophy of delivering products with "Quality, Safety and Reliability".</i></p> <p>In order to achieve the Milux's Commitment, the Board has established, amongst others, a formal schedule of matters reserved for the Board and those delegated to Management.</p> <p>The Board has established a Board Charter on 25 February 2014 to provide guidance and clarity for Directors and Management with regard to the roles of the Board, the Board Committees as well as those of Management.</p> <p>The formal schedule of matters reserved for the Board has been duly stipulated in the Board Charter.</p> <p>A summary copy of the Board Charter is available for viewing on the Company's corporate website at <a href="http://www.milux.com.my">www.milux.com.my</a>.</p> <p><b>Management's Function</b></p> <p>As stipulated in the Board Charter, all Board authority conferred on Management is delegated through the Group Managing Director ("Group MD") so that the authority and accountability of the Management is considered to be the authority and accountability of</p>

the Group MD in so far as the Board is concerned.

In the normal course of events, day-to-day management of the Company will be in the hands of Management and under the stewardship of the Group MD.

The Group MD is expected to keep the Board informed on all matters which may materially affect the Group and its business.

The Board assumes responsibility for stewardship of the Group and has established its terms of reference in the form of a Board Charter to assist it in the discharge of this responsibility.

The role and responsibilities of the Board broadly covers the following:-

- (a) Reviewing and adopting a strategic plan for the Company/Group.

The Board plays an active role in the establishment of the Company/Group's strategic plan. For each financial year, Management would present to the Board the proposed business plans as well as the annual budget for the year. The Board reviews and deliberates those documents at great length, as well as challenging Management's underlying assumptions, prior to approving the same for adoption.

- (b) Overseeing the conduct of the Company/Group's business.

The Group MD is responsible for the day-to-day management and operations of the Group.

The Board monitors the performance of Management on a regular basis vide the insertion of relevant agenda item in the Board Meetings. The Group MD is required to brief the Board on the operational performance of the Group which include key strategic initiatives, significant operational issues and challenges faced by the Management, on a quarterly basis. Meanwhile, the Chief Financial Officer ("**CFO**") is required to present to the Board a quarterly report on the financial performance of the Group.

- (c) Identification of principal risks and implementation of appropriate internal controls and mitigation measures.

The Audit and Risk Committee ("**ARC**") has been entrusted by the Board to identify, evaluate, monitor and manage any relevant major risks faced by the Group so that the Group will achieve its business objectives. However, the Board as a whole remains responsible for all the actions of the ARC with regard to the execution of the delegated role.

- (d) Overseeing the development and implementation of a

	<p>shareholder communications policy for the company.</p> <p>The Board is aware of Milux’s commitment to enhancing long term shareholders’ value through regular communication with all its shareholders, regardless of individual or institutional investors (hereinafter referred to as “the Shareholders”).</p> <p>In consequence thereto, the Board has established a Shareholders’ Communication Policy in order to provide guidance as well as ensuring a consistent approach towards the Company’s communication with the Shareholders.</p> <p>In addition, the Board has also ensure a dedicated chapter governing the Board-Shareholders relationship be included in the Board Charter, thereby formalising the Board’s commitment to serving the best interest of the Shareholders.</p> <p>(e) Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems.</p> <p>The Board has established key control processes to ensure there is a sound framework of reporting on internal controls and regulatory compliance.</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

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

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The role and responsibilities of the Chairman of the Board have been clearly specified in Paragraph 4.3 of the Board Charter, which is available on Milux's corporate website at <a href="http://www.milux.com.my">www.milux.com.my</a>.</p> <ol style="list-style-type: none"><li>(1) The Independent Non-Executive Chairman ("the Chairman") provides leadership to the Board, without limiting the principle of collective responsibility for Board decisions.</li><li>(2) The Chairman is responsible for representing the Board to Shareholders and the Chairman will chair the shareholders' meetings and will inform the shareholders on the Company's affairs. The Chairman communicates with the shareholders at Shareholders' meetings and some of the information are disclosed in the annual reports.</li><li>(3) The Chairman with the assistance of the Company Secretary sets the board agenda for each meeting.</li><li>(4) The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in Part D of the Board Charter. The Chairman leads the Board by ensuring that Milux adheres to all relevant laws and regulations as well as monitors its good corporate and best practices.</li><li>(5) The Chairman is responsible for maintaining regular dialogue with the Group MD on the operational matters and will consult with the remainder of the Directors promptly over any matter that gives him or her cause for major concern.</li><li>(6) The Chairman will act as facilitator at meetings of the Board to ensure that no Directors, whether executive or non-executive, dominates the discussion, so that appropriate discussion could take place and relevant opinions among Directors are forthcoming.</li><li>(7) The Chairman leads the meeting pace and discussions in an effective manner. The good leadership of the Chairman is acknowledged by the rating that is above average via the Self and</li></ol>

	Peer Assessment of the Board members in the annual Board Effectiveness Evaluation.	
<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 position of the Chairman of the Board and the Group MD are held by different individuals. Tuan Haji Anuar Bin Haji Mohd Hanadzlah is the Independent Non-Executive Chairman while Mr. Koh Pee Seng is the Group MD of the Company.</p> <p>The Board Charter under Paragraphs 4 and 5 have outlined the role of the Chairman and the role of the Group MD respectively to ensure accountability and division of responsibilities, and the Board Charter is available on Milux's corporate website at <a href="http://www.milux.com.my">www.milux.com.my</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

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>Both the Company Secretaries of Milux have professional qualifications and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. One of them is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators (“<b>MAICSA</b>”) whilst the other is an Associate member of the MAICSA.</p> <p>In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-</p> <ul style="list-style-type: none"><li>• Statutory duties as required under the Companies Act 2016, Main Market Listing Requirements (“<b>MMLR</b>”) of Bursa Malaysia Securities Berhad (“<b>Bursa Securities</b>”) and the Capital Market and Services Act, 2007;</li><li>• Facilitating and attending Board Meetings and Board Committee Meetings, respectively;</li><li>• Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly minuted;</li><li>• Ensuring timely communication of the Board decisions to the Management for further action;</li><li>• Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;</li><li>• Maintaining records for the purpose of meeting statutory obligations;</li><li>• Facilitating the provision of information as may be requested by the Directors from time to time on a timely manner and ensuring adherence to Board policies and procedures;</li><li>• Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee’s notation;</li><li>• Assisting the Board with the preparation of announcements for release to Bursa Securities; and</li><li>• Rendering advice and support to the Board and Management.</li></ul>

	The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance by attending the relevant continuous professional development trainings that conducted by the Companies Commission of Malaysia and/or MAICSA as well as other professional bodies from time to time.	
<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>An annual meeting calendar is prepared and circulated in advance of each new year in order to facilitate the Directors' time planning. The annual meeting calendar provides the Directors with scheduled dates for the whole year meetings of the Board, the Board committees and the Annual General Meeting, as well as the closed periods for dealings in securities by Directors based on targeted dates of announcements of the Group's quarterly results.</p> <p>All Board members are supplied with information on a timely manner. The agenda of the Board meeting is consulted with the Chairman and Group MD for confirmation. The due notice of at least seven (7) days is given to the Directors which allow the Directors to plan ahead and to maximise their participation.</p> <p>Board papers are circulated at least three (3) days prior to Board meetings and the board papers provide amongst others, financial and corporate information, significant financial and corporate matters, the Group's performance and any management proposals which require the approval of the Board. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting.</p> <p>Minutes of a Directors' or Board Committees' Meetings would be distributed to all Directors on a timely basis for their review and thereafter for confirmation at the next Board or Board Committee Meeting. The signed minutes are entered into the minutes book kept by the Company Secretaries at the registered office.</p> <p>The Board will endeavour to circulate the board paper at least five (5) business days in advance of the meeting day.</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

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 Charter serves as a primary reference for prospective and existing Board members of their fiduciary duties as Directors of Milux, and the functions of the Board committees as well as those of Management.</p> <p>In accordance with Paragraph 9.3 of the Board Charter, the Board reviews the Board Charter biennially and/or from time to time and make any necessary amendments to ensure it remains consistent with the Board's objectives, current law and practices. The Board Charter is available on Milux's corporate website at <a href="http://www.milux.com.my">www.milux.com.my</a>.</p> <p>The roles and responsibilities of the Board of Directors, Senior Independent Non-Executive Director ("SINED"), Chairman and Group MD are clearly outlined in the Board Charter.</p> <p>The Board will direct and supervise the Management of the business and affairs of the Company including, in particular:</p> <ul style="list-style-type: none"><li>• reviewing and adopting a strategic plan for the Company, including establishing Company's goals and ensuring that the strategies are in place to achieve them;</li><li>• establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;</li><li>• identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;</li><li>• succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;</li><li>• reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for</li></ul>

	<p>compliance with applicable laws, regulations, rules, directives and guidelines;</p> <ul style="list-style-type: none"> <li>• deciding on whatever steps are necessary to protect the Company’s financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;</li> <li>• ensuring that the Company’s financial statements are true and fair and conform with any applicable laws and/or regulations; and</li> <li>• ensuring that the Company adheres to high standards of ethics and corporate behavior.</li> </ul> <p>The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties. New appointees to the Board undergo a familiarisation programme, which includes visits to the Group’s business operations and meetings with key management to facilitate their understanding of the Group’s operations and businesses.</p> <p>Where possible, the Company Secretaries will inform the Directors on any updates/ briefings received from any authority(ies) or training providers, to enable the Directors to keep abreast on the latest development/ updates on relevant topic of interest.</p> <p>All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.</p> <p>In order to ensure continuing education for the Board to enhance their knowledge and skills for better board participation during meetings, the Board members had attended the following training programmes/seminars/forums during the financial year under review:</p> <table border="1" data-bbox="459 1220 1367 1875"> <thead> <tr> <th data-bbox="459 1220 695 1289"><b>Name of Directors</b></th> <th data-bbox="695 1220 1367 1289"><b>Trainings Programmes/Seminars/Forums Attended</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="459 1289 695 1423">Tuan Haji Mohd Anuar Bin Haji Mohd Hanadzlah</td> <td data-bbox="695 1289 1367 1423"> <ul style="list-style-type: none"> <li>• Impact of Artificial Intelligent on Shareholder Value &amp; Market Performance</li> </ul> </td> </tr> <tr> <td data-bbox="459 1423 695 1669">Koh Pee Seng</td> <td data-bbox="695 1423 1367 1669"> <ul style="list-style-type: none"> <li>• Cryptocurrency, Blockchain &amp; Beyond: A Cautionary Tale organised by the Securities Industry Development Corporation.</li> <li>• Green Financing Forum: Funding Green Projects Through</li> <li>• The Islamic Capital Market</li> </ul> </td> </tr> <tr> <td data-bbox="459 1669 695 1808">Ng Tek Che</td> <td data-bbox="695 1669 1367 1808"> <ul style="list-style-type: none"> <li>• Cryptocurrency, Blockchain &amp; Beyond: A Cautionary Tale organised by the Securities Industry Development Corporation.</li> </ul> </td> </tr> <tr> <td data-bbox="459 1808 695 1875">Tan Chee How</td> <td data-bbox="695 1808 1367 1875"> <ul style="list-style-type: none"> <li>• Malaysia Institute of Accountants (“MIA”) International Accountants Conference 2018</li> </ul> </td> </tr> </tbody> </table>	<b>Name of Directors</b>	<b>Trainings Programmes/Seminars/Forums Attended</b>	Tuan Haji Mohd Anuar Bin Haji Mohd Hanadzlah	<ul style="list-style-type: none"> <li>• Impact of Artificial Intelligent on Shareholder Value &amp; Market Performance</li> </ul>	Koh Pee Seng	<ul style="list-style-type: none"> <li>• Cryptocurrency, Blockchain &amp; Beyond: A Cautionary Tale organised by the Securities Industry Development Corporation.</li> <li>• Green Financing Forum: Funding Green Projects Through</li> <li>• The Islamic Capital Market</li> </ul>	Ng Tek Che	<ul style="list-style-type: none"> <li>• Cryptocurrency, Blockchain &amp; Beyond: A Cautionary Tale organised by the Securities Industry Development Corporation.</li> </ul>	Tan Chee How	<ul style="list-style-type: none"> <li>• Malaysia Institute of Accountants (“MIA”) International Accountants Conference 2018</li> </ul>
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	Dato' Mohamed Salleh Bin Bajuri	<ul style="list-style-type: none"> <li>In-house training for the Directors and Management of Eden Inc. Berhad (“Eden”) on the ‘Review of Eden Group Strategic Plan’</li> <li>In-house training organised for the Directors of SAM Engineering &amp; Equipment (M) Berhad</li> </ul>
	Ang Joo Seng	<ul style="list-style-type: none"> <li>Nuts and Bolts of Disclosure Obligations of Directors program organised by MAICSA</li> </ul>
	Chua Seong Seng	<ul style="list-style-type: none"> <li>Cryptocurrency, Blockchain &amp; Beyond: A Cautionary Tale organised by the Securities Industry Development Corporation.</li> </ul>
	Ho Pui Hold	<ul style="list-style-type: none"> <li>MIA Technical Updates 2018</li> <li>Briefing on Overview of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad</li> <li>MIA International Accountants Conference 2018</li> <li>Compliance for Bursa Listing Rules &amp; Corporate Governance</li> </ul>
	Yap Seng Siang	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> </ul>
<b>Explanation</b> :	<b>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>	:	<p>The Board has adopted a Code of Ethics and Conduct (“<b>the Code</b>”) which sets forth the values, expectations and standards of business ethics and conduct to guide the Board, the Management and employees of the Group. The Code is adopted to maintain the highest level of integrity and ethical conduct of the Board, Management and employees of Milux Group. The Code is available on Milux’s corporate website at <a href="http://www.milux.com.my">www.milux.com.my</a>.</p> <p>The Board reviews the Code biennially or as and when it is required to ensure the information remains relevant and appropriate.</p> <p>The Board is mindful of its leadership in business ethics practices as one of the key elements of business sustainability.</p> <p>The Code is established to promote a corporate culture which engenders ethical conduct that permeates throughout the Company and Group. The guiding principles of the Code are as follow:-</p> <p>(i) Show respect in the workplace:-</p> <ul style="list-style-type: none"><li>• Equal Opportunity</li><li>• Anti-Harassment</li><li>• Human Rights</li><li>• Ensuring Workplace Health and Safety</li><li>• Protection of Privacy</li><li>• Use of Company’s Assets with Due Care</li><li>• Leading by Example</li><li>• Continuous Training and Development</li></ul> <p>(ii) Act with integrity in the marketplace:-</p> <ul style="list-style-type: none"><li>• Ensuring Products’ Quality, Safety and Reliability</li><li>• Responsible Sales and Marketing Practices</li><li>• Milux’s Customers</li></ul>

	<ul style="list-style-type: none"> <li>• Milux's Suppliers</li> <li>• Community Involvement</li> <li>• Environmental-Friendly Practices</li> </ul> <p>(iii) Ensure ethics in business relationships:-</p> <ul style="list-style-type: none"> <li>• Conflict of Interest</li> <li>• Anti-Corruption</li> <li>• Anti-Money Laundering</li> <li>• Insider Trading</li> </ul> <p>(iv) Ensure effective communication:-</p> <ul style="list-style-type: none"> <li>• Corporate Disclosure</li> <li>• Spokesman</li> <li>• Whistle Blowing</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

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Group's do not have a Whistle Blowing Policy. However, whistle blowing is one the essential matters that concerned by the Board as disclosed in the Groups' Code of Ethics and Conduct ("<b>the Code</b>").</p> <p>A stakeholder can report or disclose through established channel, concerns about any violations of the Code, unethical behaviour, malpractices, illegal acts or failure to comply regulatory requirements that is taking place / has taken place / may take place in the future.</p> <p>The contact details of the designated contact person of the Company are disclosed in Annual Report, as an avenue for the stakeholders to raise their genuine concerns.</p> <p>The Board would consider establishing a Whistle Blowing Policy.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board consisting of nine (9) members comprising three (3) Executive Directors and six (6) Non-Executive Directors (“NEDs”). Out of the six (6) NEDs, three (3) of them are Independent Directors (“IDs”) and as such, one third (1/3) of the Board is independent in accordance with Paragraph 15.02 of the Listing Requirements.</p> <p>The Board has in place the ARC and Nomination and Remuneration Committee (“NRC”) with clear Terms of References to assist the Board in the deliberations and recommendations as a check and balance. Both the Board Committees could provide their objective oversight functions to support the Board.</p> <p>The Board is putting its efforts in getting additional IDs to comply with this practice.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	As disclosed in the Board Charter, the tenure of an Independent Non-Executive Directors ("INED") shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the INED may continue to serve on the Board subject to his re-designation as NED. In the event the Director were to remain designated as an INED, the Board shall firstly provides justification, upon the recommendation of the NRC and thereafter to obtain the relevant Shareholders' approval.  There were no IDs whose tenure exceeds a cumulative term of nine (9) years in the Company thus far.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

## Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter sets out the policies and procedures for recruitment and appointment of Directors.</p> <p>The Nomination and Remuneration Committee (“NRC”) reviews the candidates for appointment as Directors based on the following criteria:-</p> <ul style="list-style-type: none"> <li>• Qualifications;</li> <li>• Mix of skills;</li> <li>• Background and character;</li> <li>• Experience;</li> <li>• Integrity and professionalism;</li> <li>• Competence;</li> <li>• Functional knowledge;</li> <li>• Time commitment;</li> <li>• In the case of candidates for the position of INEDs, whether the test of independence under the MMLR of Bursa Securities is satisfied.</li> </ul> <p>To review the potential candidates, the NRC also considered the following additional criteria:-</p> <ul style="list-style-type: none"> <li>• Prevailing government policies such as gender diversity;</li> <li>• Overall composition of the Board;</li> <li>• Board dynamics;</li> <li>• The combination of skills possessed by existing Directors to ensure the selected candidate would help close any possible gaps in the Board; and</li> <li>• Financial health of the Group.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

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

### Practice 4.5

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 does not have woman Director on Board.	
		<p>The Board is supportive of gender diversity in the boardroom as advocated in the MCCG.</p> <p>The gender diversity has been considered by the NRC as one of the criteria for reviewing and selecting for potential candidate(s) for new Board seat.</p> <p>The Board is putting its efforts in getting suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background to join the Board.</p> <p>The Board has set an internal target where at least one (1) woman director on the Board within the next two years.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board uses a variety of sources for the identification of suitable candidates. The Board may rely on recommendations from the existing board members, Management and major shareholders as well as other independent sources.</p> <p>The NRC is responsible for recommending suitable candidates to the Board for its consideration. The NRC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>The appointment of Mr. Yap Seng Siang (“Mr. Yap”) as Non-Independent Non-Executive Director on 4 December 2018 followed the above process. He is nominated by a major shareholders of the Company as their representative to sit on the Board of the Company. His nomination was recommended by the NRC to the Board, having reviewed the skillset, expertise and experience as well as the Group level insight that would be brought forward by Mr. Yap.</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

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 membership classification of the Nomination and Remuneration Committee (“NRC”) is set out in its Terms of Reference (“TOR”). The TOR of the NRC specifies that the Chairman must be an independent director.  The current Chairman of the NRC is the Independent Non-Executive Chairman, Tuan Haji Mohd Anuar Bin Haji Mohd Hanadzlah.
<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 annual evaluation for the performance of Board, individual director and Board Committees has been carried out for the financial year ended 31 December 2018.</p> <p>(i) <u>Directors' self-assessment and Peer assessment evaluation</u></p> <p>In conducting the evaluation, the following main criteria were adopted by the NRC:-</p> <p>(i) Contribution to interaction; (ii) Quality of Input; and (iii) Understanding of Role.</p> <p>Based on the evaluation carried out for the financial year ended 31 December 2018, the NRC was satisfied with the performance of the individual Board member.</p> <p>(ii) <u>Evaluation on the effectiveness of the Board as a Whole and Board Committees</u></p> <p>In conducting the evaluation, the following main criteria were adopted by the NRC:-</p> <p>For effectiveness of the Board:-</p> <ul style="list-style-type: none"><li>• Establish clear roles and responsibilities;</li><li>• Strengthen composition;</li><li>• Reinforce independence;</li><li>• Foster commitment;</li><li>• Uphold integrity in financial reporting;</li><li>• Recognise and manage risks;</li><li>• Ensure timely and high quality disclosure;</li><li>• Strengthen relationship between company and shareholders</li></ul>

	<p>For effectiveness of the Board Committees:-</p> <ul style="list-style-type: none"> <li>• Composition;</li> <li>• Performance; and</li> <li>• Support rendered to the Board.</li> </ul> <p>Based on the evaluation conducted for the financial year ended 31 December 2018, the NRC was satisfied with the performance of the Board as a whole as well as the Board Committees.</p> <p>Directors and Board Committees provided anonymous feedback on their peers' performance and individual performance contribution to the Board and respective Board Committees. The results were then collated by the Company Secretaries and tabled to the NRC for deliberation. Each Director has provided feedback on his contribution to the Board and the Board Committees. The review supported the Board's decision to endorse all retiring Directors standing for election. The evaluation report together with the report on the Board balance (the required mix of skills, experience and other qualities) were circulated to the Board for discussion in February 2019. The results affirmed that the Board and each of its Board Committees continue to operate effectively.</p>	
<p><b>Explanation for departure</b></p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	:	
<p><b>Timeframe</b></p>	:	

## Intended Outcome

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Presently the Company does not have a formalised remuneration policies and procedures for Directors and Senior Management.</p> <p>However, the NRC also reviews, assesses and recommends to the Board of Directors the remuneration packages of the Executive Directors ("ED") and Senior Management of the Company.</p> <p>The remuneration of the ED and Senior Management will be based on the experience and the level of responsibilities undertaken by them, to be reviewed annually and/or as and when it is required by the NRC, thereafter to be decided by the Board.</p> <p>The determination of the remuneration of the NEDs shall be matter of the Board as a whole with the Director concerned abstaining from deliberation and voting in respect of his individual remuneration.</p> <p>The Directors' fees and Directors' benefit payable are recommended for shareholders' approval after reviewed by the NRC and the Board of Directors.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

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

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Nomination and Remuneration Committee ("<b>NRC</b>") comprises exclusively of Non-Executive Directors, i.e. two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.</p> <p>The Board is satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.</p> <p>A copy of the Terms of Reference of the NRC is available in the Company's website at <a href="http://www.milux.com.my">www.milux.com.my</a>.</p> <p>The NRC is governed by its TOR and its principal objectives are:-</p> <ul style="list-style-type: none"><li>• to assist the Board of Directors in their responsibilities in nominating and selecting new nominees to the Board of Directors and to assess the Directors of the Company on an on-going basis; and</li><li>• to assist the Board of Directors in their responsibilities in assessing the remuneration packages of the executive and non-executive directors.</li></ul> <p>For the financial year ended 31 December 2018, the NRC has undertaken the following activities:-</p> <ol style="list-style-type: none"><li>(i) Reviewed and recommended to the Board the remuneration packages of the Group MD and the Executive Directors;</li><li>(ii) Reviewed and recommended to the Board on the amount of</li></ol>

	<p>directors' fees ; and  (iii) Reviewed and recommended to the Board on the amount of directors' benefit payable.</p> <p>The Board, as a whole, determines the remuneration of Non-Executive Directors ("<b>NED</b>"), with each NED concerned abstaining from any decision with regard to his own remuneration. The Company pays its Directors the fees which shall be voted for approval by the shareholders annually during the Annual General Meeting. It was agreed that the following resolutions shall be tabled at the forthcoming Annual General Meeting for the shareholders' approval:-</p> <ul style="list-style-type: none"> <li>• Directors' fees for the financial year ended 31 December 2018; and</li> <li>• Directors' benefits for the period from 1 July 2019 to 30 June 2020, i.e. the next Annual General Meeting of the Company under Section 230(1)(b) of the Companies Act 2016.</li> </ul>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

## Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied																																																																																																	
<b>Explanation on application of the practice</b>	:	<p>The detailed disclosure on named basis for the remuneration of individual directors For the financial year ended 31 December 2018 are as follows:-</p> <ol style="list-style-type: none"> <li>1. Tuan Haji Mohd Anuar Bin Haji Mohd Hanadzlah (“<b>TH Anuar</b>”)</li> <li>2. Mr. Koh Pee Seng (“<b>Koh PS</b>”)</li> <li>3. Mr. Ng Tek Che (“<b>Ng TC</b>”)</li> <li>4. Mr. Tan Chee How (“<b>Tan CH</b>”)</li> <li>5. Mr. Ho Pui Hold (“<b>Ho PH</b>”)</li> <li>6. Dato’ Mohamed Salleh Bin Bajuri (“<b>Dato’ Salleh</b>”)</li> <li>7. Mr. Ang Joo Seng (“<b>Ang JS</b>”)</li> <li>8. Mr. Chua Seong Seng (“<b>Chua SS</b>”)</li> <li>9. Mr. Yap Seng Siang (“<b>Yap SS</b>”) – Appointed on 4 December 2018</li> </ol> <table border="1"> <thead> <tr> <th rowspan="2">Name of Directors</th> <th colspan="6">Company</th> </tr> <tr> <th>Fees (RM)</th> <th>Salaries (RM)</th> <th>EPF (RM)</th> <th>Benefit-In-Kind (RM)</th> <th>Other Emoluments (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td colspan="7"><b>Executive Director</b></td> </tr> <tr> <td>Koh PS</td> <td>-</td> <td>325,500</td> <td>19,526</td> <td>23,950</td> <td>36,000</td> <td>404,976</td> </tr> <tr> <td><b>Subtotal</b></td> <td><b>-</b></td> <td><b>325,500</b></td> <td><b>19,526</b></td> <td><b>23,950</b></td> <td><b>36,000</b></td> <td><b>404,976</b></td> </tr> <tr> <td colspan="7"><b>Non-Executive Directors</b></td> </tr> <tr> <td>TH Anuar</td> <td>40,000</td> <td>-</td> <td>-</td> <td>-</td> <td>8,000</td> <td>48,000</td> </tr> <tr> <td>Ho PH</td> <td>35,000</td> <td>-</td> <td>-</td> <td>-</td> <td>8,000</td> <td>43,000</td> </tr> <tr> <td>Dato’ Salleh</td> <td>30,000</td> <td>-</td> <td>-</td> <td>-</td> <td>4,500</td> <td>34,500</td> </tr> <tr> <td>Ang JS</td> <td>30,000</td> <td>-</td> <td>-</td> <td>-</td> <td>5,000</td> <td>35,000</td> </tr> <tr> <td>Chua SS</td> <td>30,000</td> <td>-</td> <td>-</td> <td>-</td> <td>4,500</td> <td>34,500</td> </tr> <tr> <td>Yap SS</td> <td>2,219</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2,219</td> </tr> <tr> <td><b>Subtotal</b></td> <td><b>167,219</b></td> <td><b>-</b></td> <td><b>-</b></td> <td><b>-</b></td> <td><b>30,000</b></td> <td><b>197,219</b></td> </tr> <tr> <td><b>Total</b></td> <td><b>167,219</b></td> <td><b>325,500</b></td> <td><b>19,526</b></td> <td><b>23,950</b></td> <td><b>66,000</b></td> <td><b>602,195</b></td> </tr> </tbody> </table>	Name of Directors	Company						Fees (RM)	Salaries (RM)	EPF (RM)	Benefit-In-Kind (RM)	Other Emoluments (RM)	Total (RM)	<b>Executive Director</b>							Koh PS	-	325,500	19,526	23,950	36,000	404,976	<b>Subtotal</b>	<b>-</b>	<b>325,500</b>	<b>19,526</b>	<b>23,950</b>	<b>36,000</b>	<b>404,976</b>	<b>Non-Executive Directors</b>							TH Anuar	40,000	-	-	-	8,000	48,000	Ho PH	35,000	-	-	-	8,000	43,000	Dato’ Salleh	30,000	-	-	-	4,500	34,500	Ang JS	30,000	-	-	-	5,000	35,000	Chua SS	30,000	-	-	-	4,500	34,500	Yap SS	2,219	-	-	-	-	2,219	<b>Subtotal</b>	<b>167,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>197,219</b>	<b>Total</b>	<b>167,219</b>	<b>325,500</b>	<b>19,526</b>	<b>23,950</b>	<b>66,000</b>	<b>602,195</b>
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Name of Directors	Group					
	Fees	Salaries	EPF	Benefit-In-Kind	Other Emoluments	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
<b>Executive Director</b>						
Koh PS	-	325,500	19,526	23,950	36,000	404,976
Tan CH	-	218,292	28,302	11,100	17,325	275,019
Ng TC	-	150,000	9,000	-	60,000	219,000
<b>Subtotal</b>	<b>-</b>	<b>693,792</b>	<b>56,828</b>	<b>35,050</b>	<b>113,325</b>	<b>898,995</b>
<b>Non-Executive Directors</b>						
TH Anuar	40,000	-	-	-	8,000	48,000
Ho PH	35,000	-	-	-	8,000	43,000
Dato' Salleh	30,000	-	-	-	4,500	34,500
Ang JS	30,000	-	-	-	5,000	35,000
Chua SS	30,000	-	-	-	4,500	34,500
Yap SS	2,219	-	-	-	-	2,219
<b>Subtotal</b>	<b>167,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>197,219</b>
<b>Total</b>	<b>167,220</b>	<b>693,792</b>	<b>56,828</b>	<b>35,050</b>	<b>143,325</b>	<b>1,096,214</b>
<i>Note: Other emoluments consist of bonus and travelling allowance.</i>						
<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 Company had disclosed the remuneration for the top two key senior management (excluding the Group MD and the Executive Directors of the Company) during the financial year ended 31 December 2018 are below but not on named basis due to confidentiality and sensitivity of each remuneration package:</p> <table border="1"> <thead> <tr> <th>Remuneration Range (RM)</th> <th>Top Two Senior Management</th> </tr> </thead> <tbody> <tr> <td>350,001 – 400,000</td> <td>1</td> </tr> <tr> <td>300,001 – 350,000</td> <td>1</td> </tr> </tbody> </table> <p>The Board ensures that the remuneration of senior management is fair and commensurate with the performance of the Company and the contributions made by the senior management, but at the same time it is able to attract, retain and motivate the senior management to excel in their respective roles.</p>		Remuneration Range (RM)	Top Two Senior Management	350,001 – 400,000	1	300,001 – 350,000	1
Remuneration Range (RM)	Top Two Senior Management								
350,001 – 400,000	1								
300,001 – 350,000	1								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
<b>Measure</b>	:								
<b>Timeframe</b>	:								

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Risk Committee (“ARC”) comprises of three (3) members, which consist of all Non-Executive Directors, i.e. two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.</p> <p>The Chairman of the ARC is Mr. Ho Pui Hold, an Independent Non-Executive Director of the Company and he is a fellow member of the Association of Chartered Certified Accountants (FCCA), a member of the Malaysian Institute of Accountants (MIA) and a member of the ASEAN Chartered Professional Accountant (ACPA).</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 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>	:	Terms of Reference of the ARC has been updated accordingly to formalise the Company's policy that requires a former key audit partner as a member of Audit Committee shall observe a cooling-off period of at least two (2) years before being appointed as a member of Audit Committee.  None of the members of the Board were former key audit partners and notwithstanding the above provision and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of 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 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARC is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on their appointment, re-appointment, resignation or dismissal of the external auditor.</p> <p>Under the Terms of Reference, the ARC also monitor the independence and qualification of the Company's external auditors.</p> <p>The ARC conducted an annual assessment of the performance, suitability and independence of the external auditors, CAS Malaysia PLT for the financial year ended 31 December 2018. The ARC was satisfied with the performance and independence of the External Auditors as well as the fulfillment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</p> <p>CAS Malaysia PLT had also indicated to the ARC that they had been independent throughout the audit engagement in respect of the financial under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the ARC, approved the recommendation for the re-appointment of CAS Malaysia PLT as External Auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General Meeting.</p> <p>On 27 March 2019, the ARC recommended the adoption of the Policy on the Provision of Non-Audit Services by External Auditors and Policies and Procedures to Assess the Suitability, Objectivity and Independence of External Auditors for the Board's approval, for the purpose of clarity and consistency with the MCGG. The Board had reviewed and approved the adoption of the abovesaid Policies.</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 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>	:	Not applicable

## 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 ARC collectively have the necessary skills and a wide range of experience and expertise in areas such as accounting and auditing, finance, business acumen and analytical skills and marketing and sales.</p> <p>Based on the outcome of the performance assessment on the ARC by the NRC, both the NRC and the Board are satisfied with the performance of the ARC.</p> <p>All the members of the ARC received ongoing trainings and development as detailed in Practice 2.1 of this Corporate Governance Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has overall responsibility for maintaining a system of internal control and risk management that provides a reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines.</p> <p>The ARC also oversees the risk management and internal control framework of the Company.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2018 provides an overview of the internal control within the Group for the financial year under review.</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 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board via the ARC oversees the risk management of the Group.</p> <p>The ARC, with the assistance of the Management, reviews and recommends for the Board's approval matters related to risk management within the Group. The ARC also assesses the risk tolerance of the Group in order to safeguard the interest of its shareholders.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2018 provides an overview of the internal control within the Group during the financial year under review.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

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

### **Practice 9.3 - 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 appointed an internal audit service provider to carry out the internal audit function, namely PKF Advisory Sdn. Bhd. The outsourced Internal Auditors report directly to the ARC, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the Internal Audit function. The purpose of the Internal Audit function is to provide the Board, through the ARC, assurance of the effectiveness of the system of internal control in the Group.</p> <p>The Internal Audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.</p> <p>During the Internal Auditors course of audit, PKF Advisory Sdn. Bhd. has reviewed compliance with policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary.</p> <p>The internal audits performed met the objective by highlighting to the ARC the audit findings which required follow-up actions by the Management, any outstanding audit issues which required corrective actions to be taken. The ARC ensures that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the Management.</p> <p>The ARC had conducted an Internal Audit Assessment annually to review the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority to carry out its work and to perform its function effectively in accordance with relevant professional standards.</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

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to an independent consulting firm, PKF Advisory Sdn Bhd. 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 accumulated over twenty (20) years of experience in a wide range of governance advisory, risk and internal audit work.</p> <p>The internal audit function consists of eleven (11) 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 ARC and the review is carried out in accordance with the International Professional Practices Framework of Internal Auditing.</p> <p>The internal audit function is governed by an Internal Audit Charter that was approved by the Board. The Internal Audit Charter is adopted to formalise the remit of the internal audit function and the process to review the adequacy of scope, functions, competency and resources of the internal audit function.</p> <p>The Internal Audit Charter is available for viewing on the Company’s corporate website at <a href="http://www.milux.com.my">www.milux.com.my</a>.</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 continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

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

### Practice 11.1

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has established a Shareholders' Communication Policy in order to provide guidance as well as ensuring a consistent approach towards the Company's communication with the shareholders.</p> <p>The Company has also established a Corporate Disclosure Policy to ensure informative, timely and accurate disclosure of material information concerning the Company to the public.</p> <p>In addition, the Board has also ensure a dedicated chapter governing the Board-Shareholders relationship be included in the Board Charter, thereby formalising the Board's commitment to serving the best interest of the Shareholders.</p> <p>The Company communicates regularly with shareholders and investors through annual reports, quarterly financial reports and various announcements made via Bursa LINK as the Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general. Shareholders and Investors can obtain the Company's latest announcements in the dedicated website of Bursa Malaysia Securities Berhad at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a>.</p> <p>The Annual General Meeting provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the Annual General Meeting and to vote on all resolutions set out in the notice.</p> <p>The Company's corporate website provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and annual reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.</p>

	<p>The Company's corporate website is accessible at <a href="http://www.milux.com.my">www.milux.com.my</a>.</p> <p>Any enquiry regarding investor relations/ from the shareholders may be conveyed to the following designated senior management personnel, the information of which has also been published on the Company's Corporate Website:-</p> <p>(I) <b>Mr. Tan Chee How</b>, <i>Executive Director</i> Email address: <a href="mailto:bentan@milux.com.my">bentan@milux.com.my</a>;</p> <p>(II) <b>Mr. Ng Tek Che</b>, <i>Executive Director</i> Email address: <a href="mailto:ngtekche@yahoo.com">ngtekche@yahoo.com</a>;</p> <p>(III) <b>Mr. Wong Wai Keong</b>, <i>Chief Financial Officer</i> Email address: <a href="mailto:kwong@milux.com.my">kwong@milux.com.my</a></p> <p>Telephone No.: 1800 88 MILUX (64589) Facsimile No: 03-3134 1193</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

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

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

## Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company is not classified as "Large Company". However, the Company would consider adopting the integrated reporting based on a globally recognised framework in the near future.</p> <p>The Company will consider to adopt integrated reporting based on a globally recognised framework if the benefits of the adoption outweigh the cost.</p> <p>At present, the Board is of the view that the Company's Annual Report and announcements to Bursa Securities are comprehensive enough for stakeholders to make informed decisions.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company despatches the notice of its Annual General Meeting together with the Annual Report at least 28 days before the Annual General Meeting to give sufficient time to shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys as well as to let the shareholders to consider the resolutions that will be discussed and decided at the Annual General Meeting. The Notice of Annual General Meeting, which sets out the businesses to be transacted at the Annual General Meeting, is also published in a major local newspaper as well as announced to Bursa Securities.</p> <p>The notes to the Notice of Annual General Meeting also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors will attend General Meetings and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending General Meetings.</p> <p>At the Twenty-Third Annual General Meeting held on 7 June 2018, all Directors, save for Mr. Yap Seng Siang who was only appointed as Board member with effect from 4 December 2018, attended the Annual General Meeting. The Chairman of the ARC and NRC were also present on stage to address any questions from shareholders in respect of matters that fall under the purview of the Board Committees.</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

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>	:	<p>The voting at the Twenty-Third Annual General Meeting held on 7 June 2018 was conducted on a poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company had appointed Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.) as Poll Administrator to conduct the polling process and Commercial Quest Sdn. Bhd. as Independent Scrutineers to verify the results of the poll voting.</p> <p>Personalised passcode slips were issued by the Share Registrar upon registration for e-voting at the Twenty-Third Annual General Meeting. The polling process for the resolutions was conducted only upon completion of the deliberation of all items transacted at the Twenty-Third Annual General Meeting.</p> <p>The Chairman announced the poll voting results after the same has been verified by the appointed Independent Scrutineer. Poll results are announced on the same day through Bursa Link services.</p> <p>The Annual General Meeting was held at Tropicana Golf &amp; Country Resort, which was easily accessible to shareholders.</p> <p>The Company would consider all avenues available, including all the necessary requirements for implementation in the future.</p> <p>Alternative practice: The shareholders can vote by proxy, provided that the proxy shall have been appointed by the shareholder himself or by his duly authorised representative provided further that it is filed at the registered office of the Company at least 48 hours before the AGM.</p>
<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>	:	The Company is keen to leverage on technology to facilitate voting in absentia and remote shareholders' participation at general meetings. Measures will be taken to explore the same.	
<b>Timeframe</b>	:		

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

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

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