

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7157  
**COMPANY NAME** : CYL CORPORATION BHD  
**FINANCIAL YEAR** : January 31, 2018

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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 of Directors ("the Board") of CYL Corporation Berhad ("CYL") acknowledges the importance of enhancement of corporate governance practices outlined in the Malaysian Code on Corporate Governance ("MCCG" or "the Code"). It is the Board's responsibility and commitment to ensure that high standards of corporate governance are being practised in the Group (Company and its subsidiary company), thereby safeguarding the assets of the Group and its shareholders' investments. The Board believes that it has substantially complied with the recommendations set out in the Code.</p> <p>The Board assumes the following duties and responsibilities:-</p> <ul style="list-style-type: none"><li>• reviewing and adopting a strategic plan for the Group whereby the current focus on the Company's core business is deemed appropriate;</li><li>• reviewing the Group's annual budget and evaluating its level of appropriateness given the assumptions and prevailing economic conditions;</li><li>• reviewing and approving the Capital Expenditure Budget for each financial year;</li><li>• overseeing the conduct of the Group's business to evaluate whether the business is being properly managed by having at least four (4) meetings during the year with timely updates from the Managing Director ("MD") on prospects of the company given the prevailing market conditions ;</li><li>• identifying principal risks and ensure the implementation of appropriate systems to manage those risks, if any;</li><li>• succession planning;</li></ul>

	<ul style="list-style-type: none"> <li>• establishing and ensuring the effective functioning of the various board committees;</li> <li>• developing and implementing a shareholder communications policy for the Company; and</li> <li>• reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.</li> </ul> <p>To facilitate the discharge of the Board’s responsibility and oversight role, the Board is assisted by various Board Committees namely the Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”) which have been established with terms of reference setting out their duties and responsibilities. The Chairman of the respective Committees report regularly to the Board on the key findings of their review and/ or make recommendations to the Board. The ultimate responsibility for decision making, however, lies with the Board.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

## Intended Outcome

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 responsibilities of the Chairman of the Board are clearly specified under Section 4.1 of the Board Charter of CYL which is available on the Company's corporate website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</a>.</p> <p>The responsibilities of the Chairman are as follows:-</p> <ul style="list-style-type: none"> <li>• to lead the Board in setting its values, ethical standards and instilling good corporate governance practices;</li> <li>• represent the Board to the shareholders and indirectly to the general public for Company's performance;</li> <li>• ensure the efficient organisation and conduct of the Board's function and meetings;</li> <li>• ensure the content and order of the agenda are appropriate and that the members of the Board have the relevant papers in good time. The Chairman must also ensure that the Board members are properly briefed on issues arising at Board meetings;</li> <li>• promote constructive and respectful relations between Directors, and between the Board and Management; and</li> <li>• ensure effective communication with shareholders and relevant stakeholders.</li> </ul> <p>The Chairman also ensures that there is a good balance between time allocated to governance matters and discussions on business performance and strategies at board meetings.</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**

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 Company has a MD instead of a Chief Executive Officer. The positions of Chairman and MD are held by different individuals.</p> <p>The Chairman is a non-executive Director. There is a clear division of responsibilities between the Chairman and MD of the Company to ensure a balance of power and authority. The Chairman's responsibility is to ensure the effectiveness of the Board while the MD is responsible for overall operations and effective implementation of the Board's decisions and policies.</p> <p>The roles and responsibilities of the Chairman and the MD are clearly outlined in the Board Charter of CYL.</p> <p>The Board meets five times a year to review the quarterly results, and audited financial statements. The MD provides update on the operations and strategies of the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by qualified Company Secretaries. The Company Secretaries advise the Board on matters relating to compliance with the relevant regulatory requirements i.e. Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Companies Act 2016. The Company Secretaries attend meetings of the Board, board committees and shareholders and ensure that the meeting proceedings are properly convened and recorded.</p> <p>Both Company Secretaries are qualified to act as secretaries under Section 235(2) of the Companies Act 2016. The Board is satisfied with the performance and support rendered by the Company Secretary in assisting them to discharge their duties.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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>All Directors have full unrestricted access to timely information pertaining to the Company.</p> <p>The agenda for every Board and Board Committees meeting, together with a set of Board and Board Committees papers are furnished to all Directors for their perusal prior to the Board and Board Committees meetings. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board and Board Committees meetings.</p> <p>The Directors may seek additional information and obtain further clarification from the Company Secretaries, should such a need arise to enable them to discharge their responsibilities.</p> <p>The Board and Board Committees papers include, amongst others, quarterly financial reports, year-end financial statements of the Group, annual budget and capital expenditure budget.</p> <p>The Board can at any time request for additional information pertaining to any agenda items to be deliberated prior to or post Board meeting. In most instances, the Senior Management are invited to be in attendance at Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.</p> <p>The Directors, collectively or individually, have unrestricted access to the advice and services of the Company Secretaries, senior management and independent professional advisers including the External Auditors, at the Company's expense.</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 provides guidance for Directors and Management regarding the responsibilities of the Board, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.</p> <p>The Board Charter is reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities. It was last reviewed on 21 May 2018 and published on the Company's corporate website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</a>. The Board Charter sets out the Board's authority and power to delegate certain functions to its Committees and Management.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board is committed to creating an environment whereby ethics and professionalism are placed in the highest priority in line with good corporate governance practices. The Board shall observe and adhere to the Directors' Code of Conduct as set out in the Code of Conduct.  The Code of Conduct can be accessed on the Company's corporate website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company adopted a Whistleblowing Policy. The Policy is available on the Company's website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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 currently comprises 2 Independent Non-Executive Directors, 1 Non-Independent Non-Executive Chairman and 3 Executive Directors.</p> <p>Both Independent Non-Executive Directors who represent one third (1/3) of the Board are independent of Management and free from any business or relationship which could materially interfere with the exercise of their independent judgement and decision-making.</p> <p>The Independent Directors play an active and important role in providing unbiased and independent opinion, advice and judgement. The Independent Non-Executive Directors are persons of calibre, integrity and credibility who exercise independent judgment at board and board committee meetings without fear or favor.</p> <p>The Independent Directors ensure that any decision of the Board is deliberated fully and objectively with regards to the long-term interests of all stakeholders.</p> <p>Having regard to Practice 5.3 of the MCCG which states that the board should apply the practices by taking into account the environment that their companies operate in, size and complexity, and the nature of risks and challenges faced, the Board is of the opinion that although the number of Independent Directors is less than half of the Board, the objectivity of deliberations are not jeopardized and decisions are made in the best interest of the Company.</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>	:		
<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 - Two Tier Voting
<b>Explanation on application of the practice</b>	:	<p>The two Independent Non-Executive Directors of the Company have served on the Board for more than twelve (12) years.</p> <p>The Board has through the NC, assessed both Independent Non-Executive Directors and is of the opinion that they are independent in character and judgement, independent of Management and free from any relationships or circumstances which are likely to affect or could appear to affect their independent judgement.</p> <p>Based on the recommendation of the NC, the Board will be seeking shareholders' approval to retain them as Independent Directors at the Eighteenth Annual General Meeting ("AGM") of the Company via a two-tier voting process.</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 4.3 - 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>	:	NA

### 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 Company acknowledges that a diverse Board would enhance the Group's performance, improve employee retention and bring different perspectives and ideas to the Board. A truly diverse Board will leverage on the skills, experience, background, age, race, gender and other qualities of Directors.</p> <p>The Board's policy is to consider candidates from various backgrounds, without discrimination to gender, age and ethnicity when deciding on appointments to the Board. An overriding principle is that all appointments to the Board and Management will be based upon merit, experience, qualification, character, time commitment and integrity and contribution the candidates may bring to the Board and Management.</p> <p>The Board has delegated to the NC to ensure that the Board has a sufficient size with the appropriate balance of skills and experience to meet the Company's present and future needs.</p> <p>The NC oversees the establishment of clear and appropriate selection criteria of candidates for membership to the Board. It also oversees the conduct of assessment of the Board and Board Committees on annual basis to ensure effectiveness of the Board and Board Committees, as a whole and makes recommendations for improvement to the Board.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a Boardroom Diversity Policy.</p> <p>The Company has not set any specific target for female directors on the Board. At present, the Company has one-third female representation on its Board as two (2) out of six (6) Directors are female.</p> <p>The Company has not set any specific target for age and ethnic diversity in the boardroom but will continue to review the composition of the Board with a view of having a well-balanced age diversity and multi-ethnicity representation on the Board.</p> <p>The Boardroom Diversity Policy can be found at the Company's corporate website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</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

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 NC comprises exclusively Non-Executive Directors, a majority of whom is independent.</p> <p>The NC is tasked by the Board to make independent recommendations for appointments to the Board. Appointment of Directors shall be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. In making these recommendations, the NC shall assess the suitability of candidates, taking into account the character, integrity, competence, professionalism, time commitment, and other qualities of the candidates, before recommending their appointment to the Board for approval.</p> <p>The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory requirements are complied with.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the NC is the Senior Independent Director of the Company.	
<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 NC evaluates the performance of the Board members on an annual basis. The Board committees are also reviewed annually by the NC for their performance and effectiveness.</p> <p>The annual exercise involves Directors completing questionnaires covering the assessment of the Board and Board Committee's performance, assessment of individual Directors (self and peer evaluation), assessment on mix of skill and experience of Board and assessment on independence amongst others.</p> <p>The Directors' responses are then collated by the Company Secretaries and a summary of the findings would be submitted to the NC for deliberation. The NC would review the summary, assess and make recommendations to the Board.</p> <p>Based on the assessment carried out, the Board was satisfied that the Company has a well-balanced Board with its members having diverse skill sets and core competencies, the Directors had discharged their duties and responsibilities in the year under review and the board committees had discharged their functions in accordance with their respective Terms of Reference.</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>	:		
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### 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>The RC examines and recommends to the Board the remuneration packages of the Executive Directors and Senior Management, taking into consideration all relevant factors including skills, experience and responsibilities involved as well as linking rewards to the corporate and individual performance. The performance of Managing Director and Executive Directors is measured by their contribution to both the Board and the Company. The remuneration of Managing Director and Executive Directors includes salary and allowances, bonus and benefits-in-kind.</p> <p>For Non-Executive Directors, the level of remuneration reflects the level of experience and responsibilities undertaken by them. Non-Executive Directors are paid fees and meeting allowance for each meeting they have attended. The determination of the fees of the Non-Executive Directors is undertaken by the Board as a whole.</p> <p>All Directors shall abstain from deliberations and voting on their own remuneration. Directors who are shareholders shall abstain from voting at general meetings on the resolution concerning their fees.</p> <p>The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.</p> <p>The Board will be looking into having formal policies and procedures relating to the remuneration of Directors and Senior Management by</p>

	next financial year end.	
<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 RC has been set up to assist the Board in assessing the remuneration packages of the Executive Directors, Non-Executive Directors and senior management of the Company.</p> <p>The RC assist the Board in developing and administrating a fair and transparent procedure for setting policy on remuneration of Directors and Senior Management that will attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives</p> <p>In the case of Non-Executive Directors, the Board believes that the level of remuneration should reflect the level of experience and responsibilities undertaken by the respective Directors.</p> <p>The Terms of Reference of the RC is available at the Company's corporate website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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>	:	The detailed disclosure on named basis for the remuneration of the Directors are stated in the Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:		
	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The top five Senior Management of the Company include the MD and the two Executive Directors.</p> <p>Details of the remuneration of the MD and the two Executive Directors are disclosed in the Corporate Governance Overview Statement in the 2018 Annual Report.</p> <p>The Board is of the view that the disclosure in accordance with the recommendation of Practice 7.2 is not in the best interest of the Company and has decided to depart from the recommendation in order to preserve confidentiality, avoid negative impact arising from such disclosure and also maintain a stable and harmonious working environment to meet the long-term goals and strategies of the Group.</p> <p>As an alternative, the remuneration of the remaining two Senior Management is disclosed in bands of RM50,000 in the Corporate Governance Overview Statement.</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**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the AC is Encik Abd Malik bin A Rahman who is an Independent Director whereas the Chairman of the Board is Tan Sri Abu Talib Bin Othman.  Two out of the three members of the AC are Independent Directors.	
<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>	:	As at to-date, the Company has not appointed any former audit partner as a member of the AC.  Nevertheless the Board has revised the Terms of Reference of the AC to state that no former key audit partner shall be appointed as a member of the AC unless he/she has observed a cooling-off period of at least two years before the appointment.	
<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 Board had on 23 May 2017 adopted the Policy on External Auditors.</p> <p>This Policy provides a guideline on the appointment or selection of External Auditors, assessment of the independence of External Auditors, rotation of audit engagement partner, review of the performance of the External Auditors and non-audit services provided by the External Auditors.</p> <p>The Company maintains an appropriate and transparent relationship with the Company's External Auditors, Deloitte PLT. The AC had met the External Auditors twice without the Executive board members present during the financial year.</p> <p>In evaluating the External Auditors' independence, the AC shall consider whether the External Auditors is independent both in fact and in appearance.</p> <p>In reviewing the performance of the External Auditors, the AC takes into consideration:</p> <ul style="list-style-type: none"><li>(a) the quality and rigour of the audit;</li><li>(b) the quality of service provided;</li><li>(c) the External Auditors' internal quality control procedures;</li><li>(d) communication with the Board and/or Audit Committee;</li><li>(e) the External Auditors' independence and objectivity;</li><li>(f) the External Auditors' adequacy of resources; and</li><li>(g) any other criteria deemed fit by the Audit Committee and/or the Board.</li></ul> <p>Deloitte PLT has declared to the AC that they in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for the Professional Accountants of</p>

	<p>Malaysian Institute of Accountants</p> <p>On 19 March 2018, the AC conducted an annual assessment on the suitability and independence of External Auditors. The AC, having assessed the independence of Deloitte PLT as well as reviewed the level of non-audit services rendered by them for the financial year ended 31 January 2018 (“FY 2018”), was satisfied with their competency, suitability and independence. The AC has recommended their re-appointment to the Board, upon which shareholders’ approval will be sought at the Eighteenth AGM.</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 an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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



## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC Chairman, Encik Abd Malik bin A Rahman is a Chartered Accountant member of the Malaysian Institute of Accountants (MIA). He is also a Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants and a Certified Financial Planner (USA). He is a member of both the Malaysian Institute of Management and Chartered Management Institute (UK).</p> <p>The Board is satisfied that the AC members are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group. The remaining AC comprises members who are financially literate from a diverse range of background and skill sets.</p> <p>The profile of the AC members can be found on pages 8 to 10 of the Annual Report.</p> <p>The members of AC have undertaken continuous professional development and training during the FY 2018 as disclosed in the Corporate Governance Overview Statement in the 2018 Annual Report. The AC members also received financial reporting and other updates, including updates on MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers from the External Auditors during FY 2018.</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 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 is responsible for reviewing the Group's system of control based on an ongoing process designed to identify principal risks to the achievement of strategic goals and business objectives and to manage those risks efficiently, effectively and economically.</p> <p>The Group has in place Standard Operating Policies and Procedures for its main business cycles highlighting the control objectives, policies, procedures, authority and responsibility of each cycle.</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 engages the services of an outsourced Internal Audit firm to review a wide scope of areas i.e. finance functions, human resource, production and operations to occupational health and safety so as to identify any weaknesses in internal controls. The management is proactive in identifying new areas for the Internal Auditors to conduct their testing one of which is the secondary process operations and control.</p> <p>The AC reviews internal control issues identified by the internal auditors and by the management. In the process, it evaluates the adequacy and effectiveness of the Group's risk management and internal control system.</p> <p>The Group is progressively developing and enhancing its group operating policies and procedures to address the changing environment of its business operations and practices.</p> <p>The Standard Operating Procedures Manual developed by the management set out the policies, procedures and practices to identify and mitigate risks, and to ensure that their reporting and compliance objectives are met. The Manuals are to be adopted by all companies in the Group to ensure that all personnel receive a clear message regarding their role in the internal control system.</p> <p>The Group's management teams communicate regularly to monitor operational and financial performance as well as formulate action plans to address any area of concern. Scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues.</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 9.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit review on Group and Company's operations was carried out throughout the year by an independent professional services firm, Kloo Point Risk Management Services Sdn Bhd ("Kloo Point").</p> <p>The Internal Auditors undertake internal audit review based on the annual audit plan that is developed based on the Internal Auditors' understanding of the Company's business environment and significant business processes that have an impact on the Company's performance in consultation with Management and input from the AC.</p> <p>The Internal Auditors review the adequacy and effectiveness of the internal control systems of the business units, and advises executive and operational management on areas for improvement and subsequently review the extent to which its recommendations have been implemented.</p> <p>The internal audit reports are submitted to the AC and the audit issues are discussed during the AC meetings. The Internal Auditors present the findings together with ideas and recommendations to improve the internal control systems to the AC. The Internal Auditors carry out follow-up reviews and report on the status of implementation of management action plans to the AC.</p> <p>During the year, the areas of review included receiving of raw material and its stock control, production yield control systems, Goods and Service Tax process and payment processing review. There were no significant findings from the reviews conducted by the Internal Auditors.</p> <p>The External Auditors had during the course of their audit work reviewed the Internal Audit Report and Internal Audit Progress Reports and is satisfied that it is adequate. The External Auditors had also reviewed the Statement on Risk Management and Internal Control.</p>

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



## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to an independent professional services firm namely Kloo Point to assist the AC in assuming the task of internal control review and risk assessment functions of the Group. The team from Kloo Point is headed by Mr Khor Ben Jin, who is a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Internal Auditor, USA, as well as a member of the Malaysian Institute of Accountants. He has more than 15 years of experience in providing internal audit consulting services, risk assessments and corporate governance reviews in the aspects of risk management, control and governance processes in highly regulated environments.</p> <p>Mr Khor is supported by a team of 3 staff. Mr Khor leads the reviews and the engagement to ensure that the internal audit function is carried out effectively.</p> <p>The internal audit function has adopted the International Professional Practices Framework set by the Institute of Internal Auditors. Kloo Point ensures that its staff are professionally guided and trained to develop the appropriate competencies to perform their duties during the internal audit review.</p> <p>The Internal Auditors are free from any relationships or conflicts of interest, which could impair the audit objectivity and independence for each audit engagement. The Internal Auditors report directly to the AC.</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 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 acknowledges the need for the shareholders to be informed on all material business matters affecting the Group. In addition to the various announcements made, the timely release of financial results on a quarterly basis provides shareholders and the investing public with an overview of the Group's performance and operations. The Board has adopted the Corporate Disclosure Policy which can be viewed from the Company's website at <a href="http://www.cylcorporation.com">www.cylcorporation.com</a></p> <p>Another key avenue of communication with its shareholders is the Company's AGM, which provides a useful forum for shareholders to engage directly with the Directors.</p> <p>The Board encourages participation of shareholders at every general meeting of the Company and opportunity is given to the shareholders to make relevant enquiries and seek clarification on the Group's business activities and financial performance.</p> <p>Notice(s) of the AGM are circulated at least twenty-eight (28) days prior to the date of the meeting. This would give shareholders more time to go through the Annual Report.</p> <p>All Directors were present in person at the AGM to engage directly with shareholders and be accountable for their stewardship of the Company. The Chairman invited the members, corporate representatives and proxies who were present to raise questions pertaining to the Company's Audited Financial Statements and proposed resolutions set out in the Notice(s) of the AGM, before putting the resolutions to vote. The Senior Management and External Auditors were also present to respond to queries from shareholders.</p> <p>In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely, and continuing disclosures of information to its shareholders as well as</p>

	<p>to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the MMLR pertaining to continuing disclosures; it also adopts the best practices as recommended in the MCCG with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis.</p> <p>The Annual Report is the main channel of communication between the Company and its shareholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the Annual Report are also governed by the MMLR.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company as defined under the MCCG.	
<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>	:	The Company's Notice of AGM is published in a nationally circulated newspaper and issued to shareholders at least 28 days prior to the date of the AGM.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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>	:	At the Seventeenth AGM held on 19 July 2017, all Directors were present in person to engage directly with shareholders and be accountable for their stewardship of the Company. The Chairman invited the members, corporate representatives and proxies who were present to raise questions pertaining to the Company's Audited Financial Statements and proposed resolutions set out in the Notice of the Seventeenth AGM, before putting the resolutions to vote. The Senior Management and External Auditors were also present to respond to queries from shareholders.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company does not have a large number of shareholders. Based on the Record of Depositors as at 25 April 2018, the Company had 1,506 shareholders.</p> <p>The Company's AGM has always been held at Eastin Hotel since 2003, a location that is easily assessable by car and public transport.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



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

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

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