CORPORATE GOVERNANCE REPORT

STOCK CODE **:** 5228

COMPANY NAME **:** ELK-DESA RESOURCES BERHAD

FINANCIAL YEAR **:** March 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	The main function of our Board is to set the objectives and goals for the Group with a view to maximise shareholder's value with corporate accountability. The Board oversees the conduct of the Group's businesses and evaluates whether or not the businesses are being properly managed. Key matters reserved for the Board include business plans, annual budgets, dividend policy, business acquisition and restructuring, corporate proposals or policies, new issues of securities, release of financial results to the investing public after review and expenditure that exceeds pre-defined limits. In order to ensure the effective discharge of its functions and responsibilities, the Board has formalised in writing a Board Charter and delegates specific powers to the Board Committees and the Executive Directors. The Board Committees established the Audit Committee, Nomination Committee and Remuneration Committee which execute their functions according to the Terms of Reference approved by the Board. The Board Charter and Board Committees' Terms of Reference are reviewed at least once a year and are updated when there are changes in legislative and regulatory requirements, in particular those which affect the corporate direction and strategies of the Group as well as duties of Directors. The annual review and update process also enables the Board Committees to tackle change effectively when discharging their responsibilities. The Company has allocated a dedicated corporate governance section at its website of www.elk-desa.com.my to enable stakeholders' access to the details of the Board Charter and Board Committees' Term of Reference. The Board keeps itself abreast of key issues deliberated and decisions made by each Board Committee through reports by the respective Chairman of the Board Committee and the tabling of minutes of the Board Committee meetings at the Board meetings.

	The Management, led by the Group Executive Director/Chief Executive Officer, manages the day-to-day operations of the Group in accordance with the strategy and limits of authority set by the Board. The Board periodically reviews the Group's performance and activities, together with the Senior Management, to ensure that the necessary resources are available to meet the Group's objectives. Independent Non-Executive Directors provide unbiased and independent judgment in ensuring that the strategies proposed by the Management are fully deliberated, challenged and examined objectively, taking into interests of shareholders and other stakeholders. They are essential for protecting the interests of non-controlling interests and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Executive Directors take on the primary responsibilities for implementing the Group's business plans and managing the business activities. In order to generate and deliver value to stakeholders, the Board recognises the importance of establishing clear roles and responsibilities in discharging its fiduciary and leadership functions. The key responsibilities of the Board include the following: **a) Reviewing and adopting the Company's strategic plans** The role of the Board is to review, challenge and approve Management's proposal on the Company's strategic plan. The Board, consisting of six (6) Non-Executive Directors, brings objectivity and breadth of judgment to the strategic planning process as they are not involved in the day-to-day management of the business. The presence of Independent Directors provides strong independent opinions and strengthens the representation of minority interests. The Board ensures that strategies are fully discussed and examined taking into account the long-term interests of various stakeholders, including shareholders, employees, customers, suppliers and the various communities in which the Company conducts its business. Board discussion is open and constructive, recognising that differences of opinion can, in such circumstances, bring greater clarity and lead to better decision. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for vote. The Board has to satisfy itself that the Management has taken into account all appropriate considerations in establishing the strategic plan for the Company. The Board takes responsibility in monitoring the implementation of the strategic plan by Management. During the financial year under review, the Company had completed a corporate exercise involving the issuance of rights issue of up to 51,589,369 new ordinary shares issued at RM1.16 per share to entitled shareholders of the Company ("Rights Issue"). The fresh capital to be raised from the Rights Issue is mainly for new hire purchase disbursements.

	b) Overseeing the conduct of the Company's business The Board oversees the performance of Management to determine whether the business is being properly managed. The Board's oversight of Management's performance is supportive yet vigilant. Therefore, the Board ensures that there are measures in place against which Management's performance can be assessed. The Group Executive Director/Chief Executive Officer is responsible for implementing the policies and decisions of the Board and the day-to-day business and operations of the Group. He is supported by a team of Senior Management who is responsible for the various business functions of the Group. The Management, under the leadership of the Group Executive Director/Chief Executive Officer, is assessed by the Board through regular management reports tabled at the Board meetings on a quarterly basis. The management reports include key information on the Group's financial performance, business and operational statistics for current and previous reporting periods. On a quarterly basis, Management presents and reports to the Board the comparison between actual results against the budget approved. The Board is also informed of all significant corporate and operational issues from time to time. The relevant members of the Senior Management team are invited to attend the Board of Directors and/or Board Committee meetings, as and when necessary, to assist and support the Executive Directors in presenting the updates of relevant financials, performances indicators, progress reporting of outstanding key issues to the Board or Board Committees. Besides receiving management reports at Board meetings, the Board goes beyond the boardroom to conduct site visits at the respective business divisions. The Directors visited the hire purchase business offices and were briefed by the Management on the latest challenges and issues affecting the hire purchase industry. The Directors also visited several furniture showroom retail outlets, warehouses and manufacturing facilities to gain better understanding and insight into the operations of the furniture business. The Senior Management team of the furniture division provided information and clarification on issues raised by the visiting Board members. **c) Identifying principal risks and ensuring the implementation of appropriate systems to manage them** The Board understands the principal risks of all aspects of the Group's business and recognises that business decisions involve the taking of appropriate risks. This is intended to achieve a proper balance between risks incurred and potential returns to shareholders. The Board is responsible for setting the risk appetite for the Group and ensures that there are systems in place which effectively monitor and manage these risks.

	The Board has entrusted the Audit Committee to oversee the risk management framework of the Group and reviews the risk management reports tabled by the Management every half yearly. The risk management reports provide a regular update on the risks which the Management views as having a possible negative impact on the future performance of the Group. Mitigation actions as well as key indicators measuring the extent of the risks are included in the reports for review. The Management is responsible for implementing processes and internal controls to manage the key risks highlighted in the risk reports. The Audit Committee and Management ensure that appropriate internal controls are in place by engaging outsourced independent auditors to conduct internal audit and external audit reviews in accordance with the audit plan that is adopted by the Audit Committee annually. The Audit Committee assesses the duties carried out by internal and external auditors on an annual basis. Details of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control of this Annual Report. **d) Succession planning** The Board, through the Nomination Committee, is responsible for reviewing and implementing an effective and orderly succession plan in the Group. The Terms of Reference of the Nomination Committee provide it with the responsibility of reviewing the structure, size, composition (including skills, knowledge and experience) required of the Board and make recommendations as deemed appropriate giving full consideration to succession planning for Directors and taking into account the challenges and opportunities facing the Group, and the skills and expertise that are therefore needed on the Board in the future. During the financial year ended 31 March 2018, the Nomination Committee has considered the current diverse board composition, comprising young executive members who are guided by the experienced directors, as part of its consideration for succession planning. **e) Overseeing the development and implementation of a communication policy for the Company** The Board recognises the importance of accountability and communication to shareholders and other stakeholders on all major developments affecting the Company. Therefore, the Board adheres to the Corporate Disclosure Policy prescribed under Paragraph 9.02 of the Listing Requirement and will take reasonable steps to ensure that there is equal access to such information. Material information is disseminated to shareholders and investors through various channels which include disclosures and announcements made to Bursa Securities, annual reports as well as, where appropriate, circulars and press releases. The Company's website at www.elk-desa.com.my facilitates

	quick access to corporate and financial information pertaining to the Group and its business activities. The updates and information on financial results are uploaded on the website immediately after the announcements of the same are made to Bursa Securities. Whilst the Company endeavors to provide as much information as possible, it is aware of legal and regulatory framework governing the release of material and price sensitive information. The Company's Annual General Meeting serves as a principal forum for dialogue with shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, corporate developments in the Group and the resolutions proposed. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board and Senior Management are normally present to answer questions raised at the meeting. Constructive feedback received at the Annual General Meetings as well as the Investor Relations Contact through our corporate website is channeled to the relevant Senior Management team for evaluation and consideration. In accordance with the Listing Requirements, a summary of the key matters discussed at our annual general meeting is published at our Company's website at www.elk-desa.com.my as soon as practicable after the conclusion of the annual general meeting. **f) Reviewing the adequacy and integrity of the management information and internal control system of the Company** The board ensure that there is a sound framework on corporate reporting, including financial and non-financial reporting. Due cognisance is given to the disclosures on corporate governance, sustainability and other non-financial aspects drawing guidance from relevant guidelines issued by Bursa Malaysia Securities Berhad. The Board is responsible for the adequacy and integrity of the Company's management information and internal control system. Details pertaining to the Company's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	The Chairman is responsible for the orderly conduct and working of the Board and for ensuring that members have access to relevant information on a timely manner. The roles and responsibilities of the Chairman of the Board are specified in the Board Charter. The Company Secretary assists the Chairman to set the board agenda for each meeting based on the dates of scheduled Board's annual meeting calendar, and the same is circulated to the Board members accordingly. Prior to each Board meeting, the Chairman and Executive Directors have a session where the Executive Directors brief the Chairman on the papers to be presented by the Management. The Chairman leads the meeting pace and discussions in an effective manner. The good stewardship of the Chairman is acknowledged by his peers via the Self and Peer Assessment of the Board members in the annual evaluation. At each of the Board meetings, the Chairman promotes a Boardroom environment that allows for expression of views, effective debates and discussion. The Chairman plays an important role in a situation where there is difference in opinion among the Directors during deliberations at Board meetings by providing his unbiased views and decisions to resolve the issues concerned. The Chairman sets the right tone from the top, leads the Board and the Company to adhere to all the relevant laws and regulations and monitors its good corporate governance best practices.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The Group Executive Director/Chief Executive Officer is responsible for overseeing the day-to-day management of the Company's business operations and implementation of Board decisions. The positions of Chairman and Group Executive Director/Chief Executive Officer are held by different individuals. There is a clear division of responsibilities between the Chairman and the Group Executive Director/Chief Executive Officer to ensure that there is a balance of power and authority, such that no one individual has unfettered decision-making powers. The responsibilities for the Chairman and Group Executive Director/Chief Executive Officer are disclosed in the Board Charter. In addition to the above, in February 2018, the Board has appointed Mr. Loong Foo Ching as the Senior Independent Director of the Company to foster greater objectivity at Board meetings. Mr Loong also serves as a designated contact to whom concerns pertaining to ELK-Desa Resources Group may be conveyed by shareholders and other stakeholders.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	The principal roles of the Company Secretary are to ensure compliance with regulatory requirements, provide updates on new Listing Requirements to the Board as well as ensure that minutes of the Board and Board Committee meetings are well documented. The Company Secretary also provides support to the Board in fulfilling its fiduciary duties. The Board can always consult the Company Secretary on procedural and regulatory requirements. The roles and responsibilities of the Company Secretary also include the following: ➢ Advise and provide updates to the Board and Management on developments in the area of corporate governance and relevant laws; ➢ Ensure compliance of Listing and related statutory obligations under the Companies Act 2016, Bursa Malaysia Securities Berhad Main Market Listing Requirements, Securities Commission Guidelines and Capital Market and Services Act 2007 ➢ Attend Board, Board Committee and general meetings, and ensure the proper recording of minutes or meetings; ➢ Ensure proper upkeep of statutory registers and records of the Company; ➢ Assist the Chairman in the preparation for, and conduct of, meetings; ➢ Facilitates the orientation of new Directors and assist in Directors' training and development; ➢ Manages processes pertaining to annual shareholder meeting; and ➢ Ensure Board policies and procedures are adhered to. Currently, Mr Loke Weng Fook is the Company Secretary of the Company and he is a member of the Malaysian Institute of Accountants and a member of the Chartered Institute of Management Accountants, United Kingdom. Mr Loke has the experience and qualification to act as Company Secretary under the Companies Act 2016. The Company has also engaged an established professional firm for advisory and consultancy services to the Company in respect of the Companies Act 2016, the Listing Requirements and other statutory and regulatory compliances.

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

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	At each new calendar year, the annual meeting calendar of the Board and Board Committees, and the Annual General Meeting is prepared and circulated to facilitate the Directors' time planning. The Company Secretary notifies the Directors about the closed periods for dealings in securities by Directors vide email one month before the targeted dates of announcement of the quarterly results. Agendas and board papers are circulated to the Directors seven (7) days prior to the Board and Board Committee meetings so as to give the Directors sufficient time to consider and deliberate on the issues to be raised at meetings. The Board papers contain relevant information and justifications for each proposal for which Board's approval is sought. Where necessary, members of Senior Management and external advisers are invited to attend these meetings to provide additional insights and professional views on specific items on the agenda. Minutes of the Board and Board Committee meetings are circulated to Directors for their perusal prior to the confirmation of the minutes at the following Board and Board Committee meetings. The Directors may request for further clarification or raise comments on the minutes prior to confirmation of the minutes as correct records of the proceedings and signed in accordance with the provisions of the Companies Act 2016.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Board Charter sets out the duties, responsibilities, functions and code of ethics of the Board in accordance with the principles of good corporate governance set out in the MCCG and relevant sections of the Listing Requirements on corporate governance. The Board reviews the Board Charter at least once a year to ensure that it remains relevant to enable the Board to discharge its fiduciary responsibilities. As mentioned under Practice 1.1 above, the Board has a formal schedule of matters reserved to it for deliberation and decision to ensure that the control and direction of the Company are within its ambit. The Board Charter, which is accessible through the Company's website at www.elk-desa.com.my was last reviewed in February 2018.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	In May 2018, the Board has reviewed and adopted a Code of Conduct and Ethics for the Company. The Code of Conduct and Ethics provides principles and standards relating to the managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, compliance with laws, rules and regulations. The reporting of unlawful or unethical behaviour is encouraged, particularly through the Whistleblower Policy and Procedures.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application :	Applied	
Explanation on application of the practice :	The Group has in place a Whistleblowing Programme which offers stakeholders such as suppliers, vendors, dealers, partners and employees the ability to raise issues of concern about the Group in a totally confidential way, with assurance of protection from any reprisal for honest reporting through the Whistleblowing channels. This programme is governed by the Group's Whistleblowing Policy and overseen by the Audit Committee. Information on the policy and procedures relating to the Whistleblowing Programme is available at our corporate website. The Group believes this programme is very much in keeping with the Group's long-standing commitment to the highest professional standards. Currently, the Whistleblowing Programme is outsourced to an external professional firm in order to ensure its independence. The outsourced service provider furnishes a quarterly report of updates of the Whistleblowing Programme to the Audit Committee. During the financial year ended 31 March 2018, there was no incident of violations or improper conduct or wrongdoing reported.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board does not comprise at least half of independent directors. Nonetheless, the composition of the Board is balanced by the presence of Independent Non-Executive Directors who are professional in their approach and who exercise independent judgement in the best interest of the Company without being beholden to the Executive Directors or Management. The Board currently comprises nine (9) members, made up of one (1) Executive Chairman, two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors. Notwithstanding that the Board does not comprise 50% Independent Directors, the Board composition has complied with the Listing Requirements that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent Directors. In February 2018, Nomination Committee had proposed and it was subsequently approved by the Board that Mr. Loong Foo Ching be appointed as the Senior Independent Director ("SID") of the Company. The role of the SID is to:- 1. Act as sounding board to the Board Chairman (offer counsel on matters such as Board dynamics and concerns of stakeholders) 2. Serve as intermediary for others directors (especially for matters that may not be appropriately raised in open forum or with the chairman directly) 3. Act as point of contact for shareholders 4. Provide leadership support and advice to Board in the event Board is undergoing period of stress, eg the Chairman and CEO are having conflicts 5. Lead in succession planning 6. Lead in annual review of the Board, Board Committees and individual directors The Independent Directors who are from varied background in banking, finance, legal, accounting, auditing and general management, are able to provide independent views and judgement for all Board deliberations. They act independently of Management and do not participate in any business

	dealings and are not involved in any other relationship with the Group that may impair their independent judgment and decision-making. The Board Charter and Directors' Code of Ethic also served as a framework for the conduct of all members of the Board. Together with other Non-Independent Directors, the Independent Directors bring with them wide business, regulatory, industry and financial experience to complement the others in leading the Company. In the annual Directors' peer and self-assessment, all Directors evaluate the effectiveness of the roles and responsibilities of the Board, the Board Chairman, Board Committees and individual Director. The Board is satisfied with the healthy boardroom dynamics and tone at the top set by the Board Chairman.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

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

Application :	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice :		
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

Practice 4.3 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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

Practice 4.4
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	The appointment of Board members and senior management is based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The Board members, who are from varied background in banking, finance, legal, accounting, auditing and general management, are able to provide views and judgement for all Board deliberations. The Board Charter and Directors' Code of Ethic also serve as a framework for the conduct of all members of the Board. All Directors, together with the Senior Management, bring wide business, regulatory, industry and financial experience to complement each other and lead the Company. In the annual Directors' peer and self-assessment, all Directors have to evaluate the effectiveness of the roles and responsibilities of the Board, Board Committees, the Chairman and individual Directors in terms of their skill matrix vis-à-vis the needs of the Company, the Character, Experience, Competency, Integrity and time availability of Directors as well as Senior Management, including the ability of Independent Directors to discharge their roles as Independent Director. The Board is satisfied with the healthy boardroom dynamics and tone at the top set by the Board Chairman.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied	
Explanation on application of the practice	:	In February 2018, Nominating Committee recommended and the Board approved the gender diversity of having at least one female member in the composition of the Board. Considering the size and nature of the Group's business as well as diverse professional background, skills and experience of existing Directors, the Board is of the opinion that its current size and composition, including age diversity, is optimal for it to discharge its duties and responsibilities in meeting the objectives of the Company. The Board is of the view that the evaluation of the suitability of candidates as Board members, based on the candidates' competency, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, should remain a priority and vital consideration.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	The Nomination Committee is responsible for assessing and recommending to the Board new candidates for appointment and re-appointment of Directors to the Board. When there is a need for new appointment of Directors, selection of candidates to be considered is obtained through recommendations from the Directors and Management or their contacts in related industries, finance, accounting or legal professions. In addition, the Nomination Committee is empowered to utilize independent sources to source for suitably qualified candidates. The Nomination Committee will conduct a review of the candidates to identify suitable candidates before it makes any recommendations to the Board for appointment. In making recommendations to the Board for any new appointment or re-appointment to the Board or Board Committees, the Nomination Committee considers a few criteria, which include the relevant Director's time availability, integrity, professionalism, academic qualification, character, age, gender, required mix of skills, knowledge, expertise and experience, which the Director can bring to the Board.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application :	Applied	
Explanation on application of the practice :	The membership of the Nomination Committee is exclusively Non-Executive Directors and majority of them are independent. The composition of the Nomination Committee is as follows: Name of Committee Members — Designation Mr Loong Foo Ching (Chairman) — Senior Independent Non-Executive Director Mr Ng Soon Lai @ Ng Siek Chuan — Independent Non-Executive Director Mr Lim Keng Chin — Non-Independent Non-Executive Director	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	The Nomination Committee carries out evaluation and assessment of the Board, Board Committees, and each individual Director on an annual basis via the method of internal evaluation facilitated by the Company Secretary. Each Director is required to fill up an evaluation form with tailor-made questionnaire to assess the Board, Board Committees as well as self/peer evaluation of each individual Director. On top of that, all Independent Directors have to complete a checklist on the assessment of their independence annually to ensure that they have fulfilled the criteria of "Independence" which is defined under the Listing Requirements. The assessment criteria are reviewed annually by the Nomination Committee and approved by the Board. The criteria used to assess the Board and Board Committee include factors pertaining to the structure, operations, Director's roles and responsibilities and Chairman's role and responsibilities. Criteria used for self/peer evaluation of individual Directors include factors on time engagement, participation, interaction and communication at the Board and Committee meetings. The Nomination Committee had in February 2018 collated and reviewed the results of the assessment and recommended to the Board for re-election of Mr. Teoh Seng Hui, Mr. Loong Foo Ching and Mr. Yee Kin Lan, who are Directors to retire by rotation pursuant to the Constitution of the Company at the forthcoming Annual General Meeting. The Board was satisfied with the results of the annual assessment and the current size and composition of the Board is appropriate and well-balanced with the right mix of skills with the Board composition.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	In February 2018, the Remuneration Committee recommended and the Board approved to establish formal and transparent remuneration policies and procedures for the Board, Board Committees, Executive Director and Senior Management. The policies and procedures are available on the company's website at www.elk-desa.com.my. The Remuneration Committee reviews the Board remuneration policy and terms and conditions of service of each Director and relevant Senior Management annually. The remuneration of Directors and Senior Management is generally based on market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group. The Remuneration Committee also takes into consideration remuneration of Directors and Senior Management of other public listed companies, particularly those in the financial sector that are of comparable size and nature, to ensure that the Board's remuneration policy is justified to attract, motivate and retain the Directors of the Company and Senior Management of the Group. Relevant Directors are required to abstain from deliberation and voting decisions in respect of their own remuneration. Decisions and recommendations of the Remuneration Committee are tabled at the Board meeting for approval and, where required by rules and regulations governing the Company, for approval of shareholders at the Annual General Meeting.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	The Remuneration Committee currently comprises the following: Name of Committee Members — Designation Mr Teoh Hock Chai @ Tew Hock Chai — Executive Chairman Mr Loong Foo Ching — Senior Independent Non-Executive Director Mr Ng Soon Lai @ Ng Siek Chuan — Independent Non-Executive Director The Terms of Reference of Remuneration Committee include formulating and reviewing the remuneration policies and remuneration for members of the Board, Board Committees, Senior Management and recommending the same to the Board for approval. The Terms of Reference of the Remuneration Committee were last reviewed in February 2018 and can be found on the Company's website at www.elk-desa.com.my The Remuneration Committee reviews the Board remuneration policy and terms and conditions of service of each Director and Senior Management annually. The remuneration of Directors and Senior Management is generally based on market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group. The Remuneration Committee also takes into consideration remuneration of Directors and Senior Management of other public listed companies, particularly those in the financial sector that are of comparable size and nature, to ensure that the Board's remuneration policy is justified to attract, motivate and retain the Directors of the Company and Senior Management of the Group.

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

Intended Outcome

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

Practice 7.1

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

Application :	Applied
Explanation on application of the practice :	**Disclosure on Directors' Remuneration for Financial Year 2018**

The Company	**Salary & Bonus**	**Fees**	**Other emoluments**	**EPF**	**Total**
Non-Executive Directors	**RM**	**RM**	**RM**	**RM**	**RM**
Mr Teoh Seng Kar	-	41,000	9,000	-	50,000
Mr Lim Keng Chin	-	93,000	6,750	-	99,750
Mr Loong Foo Ching	-	81,000	11,250	-	92,250
Mr Ng Soon Lai @ Ng Siek Chuan	-	98,000	11,250	-	109,250
Mr Yee Kin Lan	-	58,000	9,000	-	67,000
Ms Toh Jyh Wei	-	51,000	5,250	-	56,250
Sub Directors' Remuneration	-	422,000	52,500	-	474,500
Executive Directors					
Mr Teoh Hock Chai @ Tew Hock Chai	-	100,000	-	-	100,000
Mr Teoh Seng Hui	-	38,000	-	-	38,000
Mr Teoh Seng Hee	-	38,000	-	-	38,000
Sub Directors' Remuneration	-	176,000	-	-	176,000
Total Directors' Remuneration	-	598,000	52,500	-	650,500

	The Group	**Salary & Bonus**	**Fees**	**Other emoluments**	**EPF**	**Total**
	Non-Executive Directors	**RM**	**RM**	**RM**	**RM**	**RM**
	Mr Teoh Seng Kar	-	41,000	9,000	-	50,000
	Mr Lim Keng Chin	-	93,000	6,750	-	99,750
	Mr Loong Foo Ching	-	81,000	11,250	-	92,250
	Mr Ng Soon Lai @ Ng Siek Chuan	-	98,000	11,250	-	109,250
	Mr Yee Kin Lan	-	58,000	9,000	-	67,000
	Ms Toh Jyh Wei	-	51,000	5,250	-	56,250
	Sub Directors' Remuneration	-	422,000	52,500	-	474,500
	Executive Directors					
	Mr Teoh Hock Chai @ Tew Hock Chai	690,000	100,000	593	82,800	873,393
	Mr Teoh Seng Hui	558,000	38,000	829	66,960	663,789
	Mr Teoh Seng Hee	414,000	38,000	829	49,680	502,509
	Sub Directors' Remuneration	1,662,000	176,000	2,251	199,440	2,039,691
	Total Directors' Remuneration	1,662,000	598,000	54,751	199,440	2,514,191
Explanation for departure :						
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.						
Measure :						
Timeframe :						

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that such disclosure may not be in the best interest of the Group due to confidentiality and security concerns, for example, vulnerability of these personnel being poached by competitors as well as potential disgruntlement amongst the personnel concerned when they note how much their fellow colleagues are drawing, notwithstanding that the disclosure is in bands of RM50,000 each. In addition, the Group is operating in the highly competitive finance industry where poaching of executives is commonplace. The Board believe that the disclosure of compensation of Key Management personnel, in note 33 (c) of the audited financial statements are adequate as it complies with the requirements of Paragraph 17 of MFRS 124 "Related Party Disclosure.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">COMPOSITION OF AUDIT COMMITTEE

ELK-Desa Resources Berhad's Audit Committee ("AC") comprises four (4) members, all of whom are Non-Executive Directors ("NEDs") and where three (3) are Independent NEDs during the financial year ended 31 March 2018. Details of the members are:

<u>Name of Committee Members</u> — <u>Designation</u>
Mr Ng Soon Lai @ Ng Siek Chuan (Chairman) — Independent Non-Executive Director
Mr Loong Foo Ching — Senior Independent Non-Executive Director
Mr Yee Kin Lan — Independent Non-Executive Director
Mr Teoh Seng Kar — Non-Independent Non-Executive Director

The AC Chairman, Mr Ng Soon Lai @ Ng Siek Chuan, is a fellow member of the Institute of Chartered Accountants in England and Wales ("ICAEW"). Accordingly, the Company complies with Paragraphs 15.09(1)(c) and 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The chairmanship of the AC and the Board are helmed by two (2) different Directors.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.2
The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Company has not appointed a former key audit partner as a member of Audit Committee since the Company's listing in year 2012. Furthermore, the Terms of reference of the AC have been updated in February 2018 to reflect the requirements in Practice 8.2 of the Malaysian Code on Corporate Governance that "Any former key audit partner must have observed a cooling-off period of at least 2 years before one is eligible for appointment as AC member". The Terms of reference of the Audit Committee can be found on the Company's website at www.elk-desa.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	In June 2018, the Audit Committee conducted an annual assessment on the suitability and independence of the External Auditors, Messrs. BDO. Factors considered by the Audit Committee included the calibre of the audit firm, quality of the auditors' performance, experience and competencies of the engagement partner and staff assigned. Feedback was obtained via written questionnaire from the Senior Management who had substantial contact with the external audit team throughout the year. The non-audit fees paid to the Messrs. BDO were also monitored closely and reviewed by the Audit Committee to ensure that they did not jeopardise the auditors' independence and objectivity. The fee comparison between audit and non-audit services provided by the external auditors are available at the additional compliance information disclosure in the annual report. Moreover in considering the non-audit services, the nature of service is also assessed to ensure that internal audit is a prohibited service by BDO. There is an audit independence policy, established by the Audit Committee, on the rotation of the lead engagement partner after every five (5) years. The Audit Committee was satisfied with the suitability of Messrs. BDO based on the quality of services, sufficiency of resources, remuneration and performance, independence and professionalism, and their ability to conduct the external audit within an agreeable timeline fixed by the Management. Messrs. BDO has also provided a written assurance regarding its independence to the Audit Committee and Board in May 2018. The Board concurred with the Audit Committee's recommendation for the re-appointment of Messrs. BDO as the Company's External Auditors in June 2018 and the same will be tabled to the shareholders for approval at the forthcoming Annual General Meeting.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

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

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

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

Application	:	Applied
Explanation on application of the practice	:	The Board firmly believes the importance of ensuring that the Company's financial statements are in compliance with applicable financial reporting standards and are a reliable source of financial information for all shareholders and other stakeholders. In this regard, the Audit Committee assists the Board to oversee the Group's financial reporting function. The Audit Committee met five (5) times during the financial year ended 31 March 2018. Nomination Committee has assessed and concluded that Audit Committee has carried out their duties in accordance with the Terms of Reference. Details of composition and activities of the Audit Committee can be found in the Audit Committee Report of the Annual Report. The Audit Committee Chairman, Mr Ng Soon Lai @ Ng Siek Chuan, an associate member of the Institute of Chartered Accountants in England and Wales, together with other Audit Committee members with diverse background in law, banking and finance, reviewed the Company's quarterly and annual financial statements presented by the Chief Financial Officer, prior to recommending them for approval by the Board and issuance to all stakeholders. Detailed analysis of key components of the financial statements by individual business segment was presented to the Audit Committee for the current and previous financial periods. As part of the reviewing process, the Audit Committee has ensured that the quarterly and annual financial statements had adopted and applied appropriate and consistent accounting policies, and prudent judgements and reasonable estimates had been made in accordance with the relevant financial reporting standards. The annual financial statements are reviewed by the External Auditors who provide assurance in the form of their annual statutory audit that the financial statements give a true and fair view of the financial position of the Group and Company and are prepared in accordance with the relevant financial reporting standards and the Companies Act 2016.

	In addition, the Audit Committee places high emphasis on the internal audit function, where the outsourced internal auditors conducted independent assessment of the Group's internal control system and provide assurance to the Audit Committee on the adequacy and operating effectiveness of the system of internal control. The internal auditors had assured the Audit Committee throughout the financial year, in the respective internal audit cycles, that there were no material issues or deficiencies noted that would significantly impair the overall system of internal control. The Audit Committee also received briefings from external auditors on new financial reporting standards that may be applicable to the Group.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledges its responsibility for establishing a sound framework to monitor key risks that significantly impact the Group and maintaining a sound system of internal control within the Group. In view of its inherent limitations, the system of internal control provides reasonable, but not absolute assurance, against material misstatement, loss or fraud. In 2016, the Board has adopted a Risk Management Policy for the development and implementation of a risk management framework specific to the Group's business and the organizational context. The design of this framework reflects the principles and the process outlined in the Enterprise Risk Management ("ERM") published in 2004 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This Risk Management Policy was last reviewed and updated in February 2018. An overview of the risk management framework and state of internal control within the Group is set out in the Statement on Risk Management and Internal Control of this Annual Report. The Audit Committee oversees the risk management framework of the Group. The Audit Committee reviews the risk management processes to ensure that they remain relevant to meet the objectives of the Group, and monitors the adequacy and effectiveness of risk treatment/mitigation action plans deployed by Management to address the key risks. The Board has not formed a Risk Management Committee as the role has been delegated to the Audit Committee. The Board, through the internal audit function, continues to maintain and review its risk management process and internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	The Board through the Audit Committee ("AC") oversees the risk management matters of the Group, which include identifying, managing, monitoring, treating and mitigating significant risk across the Group. The AC also assists the Board in fulfilling its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group. The AC's duties pertaining to risk management, amongst others, include: • providing direction, oversight and advice to the risks management processes; • monitoring significant risks exposure with significant business impact that need special attention by each operations head; • reviewing the risk management framework, policy and processes; and • advising the Board on risks related issues and recommend strategies, policies and risk tolerance for Board's information and approval as appropriate. The Group has established a structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels. The analysis and evaluation of risks are guided by approved risk criteria. The Group adopts a decentralized approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibilities of the Heads of Department. <u>Risk management</u> The risk management methodology and approach applied are described as below: • The Risk Register is compiled and reviewed on a regularly basis. Any emerging new risks are identified and followed up with the implementation of the control action plans; • The Group's risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of the Group's business objectives. It also sets out the level of risk tolerance and limits to govern, manage and control the Group's risk-taking activities. <u>Internal control</u> The internal control and monitoring procedures include: • clearly defined systems and procedures, for key operational and financial departments, include maintaining of good operational and financial records and controls and producing an accurate and timely management information; • detailed reporting of financial results, balance sheets and cash flows, with regular review by the Management;

	• regular independent internal audit activities to monitor compliance with procedures and assess the integrity of operational and financial information provided; and • regular information provided to the Management, covering financial performance and key indicators and cash flow performance. The key elements of the Group's internal control system that are considered as an integral part of the assurance framework are as follows: • Organizational structure; • Audit Committee; • Internal audit; • Policies and procedures; • Business plan and budgeting process; • Reporting system; and • Appraisal system. Further details on the management and reporting of the risks and the controls in place to mitigate and manage those risks are provided in the Statement on Internal Control and Risk Management of the 2018 Annual Report.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

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

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

Practice 9.3 - Step Up
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	The Company has outsourced the internal audit function to an external party to provide an independent supervision and oversight of its internal control system. In February 2018, the Audit Committee reviewed and discussed the nature and scope of the internal audit plan. The outsourced internal auditors, who report directly to the Audit Committee, review the Group's internal control system based on a risk-based approach internal audit strategy according to an annual internal audit plan adopted by the Audit Committee. The internal audit function is responsible for conducting periodic reviews and appraisals of the effectiveness of the governance, risk management and internal controls process within the Group. Reports highlighting new issues identified together with Management's response to the internal audit findings, and progress reports on the follow-up of gaps identified are presented to the Audit Committee on a quarterly basis. The Audit Committee assessed the performance of the outsourced internal audit function on an annual basis to ensure it is effective.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	All internal audit staff assigned by the outsourced internal audit service provider ("Outsourced IA") for each internal audit assignment are required to make a written declaration that they do not have any relationships or conflict of interest with companies in the Group, which could impair their objectivity and independence. As at March 2018, the Outsourced IA is staffed by nineteen (19) personnel of all levels, including the directors. Most of the Outsourced IA's staff have tertiary and/or professional qualifications and are members of the Institute of Internal Auditors Malaysia. There are two (2) to four (4) personnel being deployed to the Group for each internal audit assignment. The Outsourced IA is headed by its director, Mr. Chang Ming Chew, who is a Certified Internal Auditor and a member with the Institute of Internal Auditors Malaysia and the Association of Chartered Certified Accountants (UK). The Outsourced IA performs its work in accordance with the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors. In June 2018, Audit Committee reviewed and is satisfied on the adequacy of scope, functions, competency and resources of the internal audit function.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	Corporate disclosure and information are vital for the stakeholders. All information to be disclosed to the public, in relation to financial results, significant events or any material transactions, are reviewed and approved by the Board, prior to the announcement made to Bursa Securities via BursaLINK. The Senior Management who is responsible for disclosure of material information, performs proper verification and coordinate the timely disclosure of material information to the investing public via BursaLINK. The Company leverages on its corporate website (www.elk-desa.com.my) to effectively disseminate information to all stakeholders. All announcements made to Bursa Securities are automatically linked and uploaded to the Company's website. The investor relations section also contains important information such as the financial reports and stock information. Moreover, the website has a dedicated section for corporate governance. This section provides the latest information such as the Board Charter, Terms of Reference of the relevant Board Committees, Whistleblowing Policy, Dividend Policy and summary of key matters discussed at Annual General Meeting. General meetings are an important platform at which shareholders can exercise their rights and voice their opinions. In order to encourage shareholders' participation, the Company has chosen general meeting venues that are easily accessible by public transport. All shareholders receive an Administrative Guide on the matters relating to the attendance of the general meeting. Moreover, the Board endeavours to serve notices for meetings earlier than the minimum notice period required by the Companies Act 2016 in order to provide sufficient time and opportunities to the shareholders to attend and seek clarification during general meetings on any matters pertaining to the business activities and financial performance of the Company. Each item of special business included in the Notice of the meeting is accompanied by an explanation on the significance and impact of a proposed resolution.

	All Directors and Senior Management are present at the Annual General Meeting to engage directly with shareholders. During the proceeding of the meeting, the Chairman allows ample time for shareholders to raise questions pertaining to the financial statements of the Company and Group and other items for adoption, before putting the resolutions to vote by poll. The Board ensures there is effective communication with its stakeholders by email or telephone contacts which are available on our Company's website.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Our Company is not a Large company. As an alternative practice, the Company has disclosed in its Annual Report 2018 various statements in accordance with the requirements under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These include the Management Discussion and Analysis, Corporate Governance Overview Statement, Sustainability Statement, Audit Committee Statement and Statement on Risk Management and Internal Control.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:		
Explanation for departure	:	The notice for the 29th Annual General Meeting ("AGM") will be issued on 10 July 2018 whilst the AGM will be held on 9 August 2018. Therefore the notice period is not less than 28 days as recommended by the new Malaysian Code on Corporate Governance.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors and Senior Management are present at the Annual General Meeting to engage directly with shareholders. During the proceeding of the meeting, the Chairman allows ample time for shareholders to raise questions pertaining to the financial statements of the Company and Group and other items for adoption, before putting the resolutions to vote by poll.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

Practice 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	In any general meeting, the Company allows shareholders to appoint more than one proxy in the event the shareholder is unable to attend the meeting. Moreover, the Company has always conducted its meetings at accessible locations that are not remote. The Board is mindful and will consider the feasibility of leveraging on technology to facilitate voting in absentia and remote shareholders' participation at general meetings, considering amongst others, the cost-benefit of such facilities, security concerns, etc.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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

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

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