

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) continues with its commitment to achieve and maintain the highest standards of corporate governance throughout the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

The Board is entirely committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“Code”) issued by the Securities Commission Malaysia in March 2012. In addition, the Board follows global developments of internationally recognised corporate governance practices and though the Board is in compliance with many respects already, it continually reviews the Group’s corporate governance processes and strives to make appropriate adjustments to reflect its position as a good corporate citizen. The key intent is to adopt the substance behind good governance and not merely the form, with the aim of ensuring Board effectiveness in enhancing shareholder value.

The Board is pleased to provide the following statements, which outline the main corporate governance principles that were in place throughout the financial year under review, unless otherwise stated.

COMPLIANCE STATEMENT

The Group has complied throughout the year ended 31 December 2016 with all the principles and recommendations of corporate governance set out in the Code save as explained below:

- Given the current composition of the Board, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director to whom any matters of concern may be raised to the Board.
- In view of the check and balance mechanism in place in the Board’s decision making process, the Board is comfortable with the executive role held by its Executive Chairman and does not consider it necessary for the Board to comprise a majority of Independent Directors.
- The Board is confident that the Independent Non-Executive Directors who have served the Board for more than nine (9) years have retained independence of character and judgment and are able to express their views without any constraint.

PRINCIPLES STATEMENT

The following statement sets out how the Company has applied the principles and recommendations in the Code.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction and the Board oversees the establishment of goals for Management and monitors the achievement of these goals.

The Board has a formal schedule of matters reserved to itself for decision, which includes the acquisition and divestment policy, approval of major capital expenditure projects, consideration of significant financial matters, review and approval of the five (5) years’ corporate strategic plan for the Group and the review of the financial and operating performance of the Group against the annual budget and corporate strategic plan. The schedule ensures that the governance of the Group is in the Board’s hands.

The Board is led by the Executive Chairman and the Group Chief Executive Officer and is supported by other Board members. The Group Chief Executive Officer is involved in leadership roles and he oversees the Group’s operations and performance, the human resources development of the Group and ensuring overall adequacy of the Group’s system of internal control. He liaises with the Presidents, Chief Executive Officers, Chief Operating Officers, Managing Directors and Executive Directors of the operating companies on a regular basis on business strategies and opportunities to lead the Management to drive the Company and the Group forward.

The Board has assigned the day-to-day management of the Group’s businesses and operations to the Presidents, Chief Executive Officers, Chief Operating Officers, Managing Directors and Executive Directors of the operating companies, who are accountable for initiating ideas to create competitive edge in their respective industries or markets and the conduct and performance of their businesses within the agreed corporate objectives and business strategies.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.1 Clear Functions of the Board and Management (cont'd)

Board Committees

The Board delegates certain responsibilities to the Board Committees, as follows:

Board Committees	Key Functions
Executive Committee	Explained in the Executive Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.
Audit Committee	Explained in the Audit Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.
Remuneration Committee	Explained in the Remuneration Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.
Nomination Committee	Explained in the Nomination Committee : Terms of Reference section of this Annual Report, which is also set out under the Corporate Governance section in the Company's website.

All Board Committees have written terms of reference. These Board Committees are formed in order to enhance business and operational effectiveness and efficiency. Prior to the establishment of the Board Committees, part of their function was assumed by the Board as a whole. The Board retains full responsibility for the direction and control of the Company and the Group.

During the financial year under review, all the Board Committees have held meetings on a regular basis or as and when required to discuss various issues that came within the Terms of Reference of each Board Committee. Their findings and/or recommendations, where necessary, are then tabled to the Board for its approval and/or attention.

1.2 Clear Roles and Responsibilities

The Board has wide responsibilities in discharging its fiduciary and leadership functions, amongst others:

- (a) ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs as well as encouraging effective participation at general meetings through its Chairman, being the key interface between the Company and its shareholders;
- (b) providing risk management oversight including the timely and correct identification and effective management of current and emerging key risks affecting the Company and the Group on a half yearly basis;
- (c) be responsible for the overall corporate governance of the Group, including its strategic direction; overseeing the establishment of goals and the corporate strategic plan for Management; reviewing and updating the strategic direction, goals, and the corporate strategic plan on an annual basis or at such intervals as may be required; and monitoring the achievement of these goals and plan;
- (d) providing input and final approval of corporate strategy, including the setting of performance objectives;
- (e) monitoring corporate performance and implementation of strategy and policy. The Board is kept informed of key strategic initiatives, significant operational issues and the Group's performances;
- (f) monitoring and reviewing Management processes and control to ensure the integrity of financial and other reporting with the guidance of the Audit Committee; and
- (g) ensuring that succession planning of the senior Management is in place. The Board is briefed on the performance of such senior Management based on the individual's contributions, achievements and deliverables.

Details of the Board's duties and responsibilities are set out in the documented and approved Board Charter. The Board Charter is available for reference on the Company's website at www.texchemgroup.com.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.3 Formalise Ethical Standards through Code of Conduct

The approval and adoption of the Code of Conduct formalised the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct amongst the Company's directors and employees. The Code of Conduct includes mechanism amongst others, a whistleblower policy for the Company's directors and employees as well as external parties to report genuine suspicions of non-compliance without fear of retribution or retaliation. A copy of the Code of Conduct is available on the Company's website at www.texchemgroup.com.

1.4 Strategies Promoting Sustainability

The Group is committed towards sustainable development and believes that sustainable corporate success requires the highest standard of corporate behavior including measuring up to public expectations on its environmental, social and corporate governance responsibilities. As a socially responsible citizen, the Company shall approach the process of addressing higher expectations of environmental, social and corporate governance responsibilities as part of how the Company normally works and thinks. A copy of the Sustainability Policy is available on the Company's website at www.texchemgroup.com. Details of the Group's corporate responsibility activities in the financial year under review are disclosed in the Sustainability Statement section of this Annual Report.

1.5 Access to Information and Advice

The Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group.

The Chairman ensures that all Directors have full and timely access to information with agenda and Board papers generally distributed three (3) clear days before the meetings. This ensures that Directors have sufficient time to appreciate issues to be deliberated at the Board meeting and expedites the decision making process.

The Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying circular resolutions are comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Periodic briefings on industry outlook, the Group operations and site visits are conducted for the Directors to ensure that the Board is well informed of the Group's development.

The Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee play a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Board Committees partly function as a filter to ensure that only pertinent matters are tabled at the Board level. There is also a formal procedure sanctioned by the Board, whether as a full board or in their individual capacity, for Directors to obtain independent professional advice at the Company's expense.

1.6 Qualified and Competent Company Secretaries

Every Director has unhindered access to the advice and services of the Company Secretaries. One of the Company Secretaries is a member of the Malaysian Institute of Accountants and the other is a Licensed Secretary registered with the Companies Commission of Malaysia.

The Company Secretaries are accountable directly to the Board on all matters to do with the proper functioning of the Board which includes:

- (a) advising the Board and its Board Committees on governance matters;
- (b) coordinating the timely completion and dispatch of Board and Board Committees papers;
- (c) ensuring that the business at Board and Board Committee's meetings is accurately recorded in the minutes;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.6 Qualified and Competent Company Secretaries (cont'd)

- (d) providing assistance in organising and facilitating the induction and professional development of Directors; and
- (e) updating the Board on the amendments to the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Companies Act and such relevant laws affecting the Group.

The Board believes that the current Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board. In the event that either of the Company Secretaries fails to fulfil his/her functions effectively, the terms of appointment permit his/her removal and the appointment of a successor by the Board as a whole.

1.7 Board Charter

The Board had in 2012 formalised a Board Charter setting out the principles governing the Board of the Company and adopts the principles of good corporate governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter was revised on 28 March 2015.

The Board Charter was designed to achieve the following objectives:

- (a) To enable the Board to provide strategic guidance and effective oversight of the Management;
- (b) To clarify the roles and responsibilities of members of the Board and the Management to facilitate the Board and the Management's accountability to the Company and its shareholders; and
- (c) To ensure a balance of authority so that no single individual or group of Directors has unfettered powers.

The Board will review the Board Charter periodically or as and when required and make any changes it determines necessary or desirable. The Board Charter is available for reference on the Company's website at www.texchemgroup.com.

2. STRENGTHEN COMPOSITION

2.1 Nomination Committee

The Nomination Committee comprised the following members during the financial year under review:

Members	
Dato' Seri Nazir Ariff Bin Mushir Ariff	Chairman, Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director

During the financial year under review, the Nomination Committee met once on 9 December 2016. Tan Sri Dato' Seri (Dr.) Fumihiko Konishi and Cik Zarizana @ Izana Binti Abdul Aziz were invited by the Chairman of the Nomination Committee to attend the meeting wherein at such invitation Tan Sri Dato' Seri (Dr.) Fumihiko Konishi attended the said meeting.

The Board has identified Dato' Seri Nazir Ariff Bin Mushir Ariff as the Independent Non-Executive Director to chair the Nomination Committee.

The Nomination Committee consists entirely of Non-Executive Directors, all of whom are independent.

During the financial year under review, there was no new Director appointed.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Develop, Maintain and Review Criteria for Recruitment Process and Annual Assessment of Directors

The Nomination Committee is empowered by the Board and its Terms of Reference are to bring to the Board recommendations as to the appointment of new Directors and appointment of Directors to Board Committees. The Nomination Committee also keeps under review the Board structure, size and composition, the Board succession planning as well as training programmes.

The Nomination Committee systematically assesses the effectiveness of the Board, the Board Committees and the contribution of each individual Director on an annual basis. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are documented. Assessment forms have been developed to facilitate the assessment process. Assessment of the Board and Board Committees are performed on a Board review or self-assessment basis whilst assessment of individual Directors is performed on a peer review basis. Each Director is provided with the same set of assessment forms for their completion. The results of all assessments and comments by Directors are summarised and deliberated at the Nomination Committee meeting and thereafter the Nomination Committee's Chairman will report such result and deliberation to the Board.

The assessment of the Board and the Board Committees are based on:

- composition
- structure
- adequacy of information and processes
- accountability
- performance
- standard of conduct

The criteria used, amongst others, for individual Director includes:

- abilities, competencies and knowledge
- integrity and personality
- participation at Board and Board Committees meetings including the contribution to the business strategies and performance of the Group
- attendance of meetings

The Terms of Reference of the Nomination Committee is set out in the Nomination Committee: Terms of Reference section of this Annual Report and is also set out under the Corporate Governance section in the Company's website.

Appointment Process and Induction Programme

The Board through the Nomination Committee's annual appraisal believes that the current composition of the Board brings the required mix of skills, independence, diversity of gender and core competencies required for the Board to discharge its duties effectively.

New appointees will be considered and evaluated by the Nomination Committee in various aspects, *inter alia* skill, knowledge, expertise and experience, professionalism, sound judgement, diversity of gender, time commitment, caliber and integrity and credibility on a continuing basis. The Company practices a clear and transparent nomination process which involves the following stages:

- (a) identification of candidates.
- (b) evaluation of suitability of candidates.
- (c) meeting up with candidates.
- (d) final deliberation by the Nomination Committee.

The Nomination Committee will then recommend the candidates for approval and appointment by the Board. The Company Secretaries will ensure that all appointments are properly made and that legal and regulatory obligations are met.

An induction programme will be arranged for newly appointed Directors to familiarise themselves with the operations of the Group through briefings by the relevant management teams.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Develop, Maintain and Review Criteria for Recruitment Process and Annual Assessment of Directors (cont'd)

Re - Election

The Articles of Association provide that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information on each Director standing for election such as personal profile and the shareholdings in the Group are furnished in a separate statement accompanying the Notice of the AGM.

Board Diversity Policies, Targets and the Measures

The Board is supportive of diversity in the boardroom namely diversity in gender, ethnicity and age as such diversification would enlarge the pool of skills, talents, perspectives and ideas within the Board.

As an initial step taken by the Board towards achieving a more gender diversified Board, the Board has set the number of women on the Board at one (1) and the Board have achieved the target as currently there is one (1) female Independent Non-Executive Director on the Board. The Nomination Committee will continue to identify suitable women candidates in its recruitment process and shall from time to time review the number of women candidates on the Board. Further, in line with the policy on diversity in ethnicity and age, the Board members represent a range of ethnicities as shown in the Board line up and the age of the Directors ranged from 48 to 73.

2.3 Remuneration Policies and Procedures

Remuneration Committee

The Remuneration Committee comprised the following members during the financial year under review:

Members	
Zarizana @ Izana Binti Abdul Aziz	Chairman, Independent Non-Executive Director
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	Executive Chairman of the Board

During the financial year under review, the Remuneration Committee met twice on 26 January 2016 and 29 February 2016. The meetings were attended by all the members of the Remuneration Committee.

The Remuneration Committee consists of a majority of Non-Executive Directors, all of whom are independent.

The Remuneration Committee is responsible for *inter alia* recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Executive Directors. The Terms of Reference of the Remuneration Committee is set out in the Remuneration Committee: Terms of Reference section of this Annual Report and is also set out under the Corporate Governance section in the Company's website.

The Executive Directors did not participate directly in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

The policy practised on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

Further details of Directors' remuneration are set out below and in the Notes to the Financial Statements.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Remuneration Policies and Procedures (cont'd)

Details of the Directors' Remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company holding office during the financial year 2016 are as follows:

- Aggregate remuneration of Directors categorised into appropriate components:

<i>In RM'000</i>	<i>Fees</i>	<i>Salaries, Bonus and Others</i>	<i>Benefits in Kind</i>	<i>Total</i>
Company				
- Executive Directors	800 ⁽¹⁾	814	34	1,648
- Non-Executive Directors	240 ⁽¹⁾	69	–	309
Subtotal	1,040 ⁽¹⁾	883	34	1,957
Subsidiaries				
- Executive Directors	1,194	3,228	115	4,537
- Non-Executive Directors	–	–	–	–
Subtotal	1,194	3,228	115	4,537
Total	2,234	4,111	149	6,494

⁽¹⁾ Subject to shareholders' approval at this coming AGM.

- During the financial year under review, the number of Directors whose remuneration falls into the following bands are:

	<i>Number of Directors</i>	
	<i>Executive</i>	<i>Non-Executive</i>
RM50,000 and below	–	–
RM50,001 to RM100,000	–	1
RM100,001 to RM150,000	–	2
RM800,001 to RM850,000	1	–
RM1,200,001 to RM1,250,000	1	–
RM1,400,001 to RM1,450,000	1	–
RM2,700,001 to RM2,750,000	1	–

Executive Directors receive bonuses based on the achievement of specific goals related to the performance of the Group (including operational results). Independent Non-Executive Directors do not receive any performance related remuneration.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

As at the date of this statement, the Board consists of seven (7) members; comprising three (3) Independent Non-Executive Directors and four (4) Executive Directors. A brief profile of each Director is presented in the Profile of Directors section of this Annual Report.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in paragraph 1.01 of the Listing Requirements and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of independent Directors who are not members of management (non-executive) and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are independent Directors. The assessment of independence of the Independent Directors is carried out upon appointment, annually and at any other time where the circumstances of a Director change such as to warrant reconsideration. The Board has conducted an assessment of the independence of the Independent Directors and is confident that they maintained their independency.

3.2 Tenure of Independent Directors

Although the Board notes the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years, it is of the view that the independence of the Independent Non-Executive Directors should not be determined solely or arbitrarily by their tenure of service. The Board is confident that the Independent Non-Executive Directors who have served the Board for more than nine (9) years have retained independence of character and judgment and are able to express their views without any constraint.

3.3 Shareholders' Approval for the Re-appointment of Independent Non-Executive Directors who have served for more than nine (9) years

Independent Non-Executive Directors, Dato' Seri Nazir Ariff Bin Mushir Ariff and Dato' Danny Goon Siew Cheang have each served on the Board for more than nine (9) years. The Board took note of the recommendation of the Code on the tenure of an independent director for a cumulative term of not exceeding nine (9) years. The Board believes that although Dato' Seri Nazir Ariff and Dato' Danny Goon have each served more than nine (9) years on the Board, they have retained independence of character and judgment and have not formed association with Management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Group. Accordingly, the Board is making a recommendation to shareholders that both Dato' Seri Nazir Ariff and Dato' Danny Goon remain as Independent Non-Executive Directors based on the following justifications:

The Board is of the view that Dato' Seri Nazir Ariff's expertise, broad international experience and vast experience in various industries provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board. The Board is confident that his length of service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

The Board believes that with Dato' Danny Goon's qualifications, expertise and extensive experience as a Chartered Accountant and his accumulative knowledge of the Group's business and operations, he has made and continues to make valuable contribution through his role as Chairman of the Audit Committee and his roles on the Remuneration and Nomination Committees. The Board is confident that Dato' Danny Goon is able to carry out his duties and responsibilities independently and objectively notwithstanding his tenure on the Board.

3.4 Separation of Positions of the Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separated. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions whereas the Chief Executive Officer is responsible for the day to day management of the business as well as the implementation of Board policies and decisions.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

3. REINFORCE INDEPENDENCE (CONT'D)

3.5 Board Composition and Balance

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities and have a proper understanding of and competence to deal with the current and emerging business issues.

Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is currently the Executive Chairman of the Board. Given the scope and nature of business activities of the Group, the Board is of the view that with Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's extensive knowledge, experience, entrepreneurial quality and his being actively involved in the business, it is more effective for him to continue to guide the Board on discussions on issues and challenges faced by the Group. The Board also believes that the interests of shareholders are best served by the Executive Chairman who is sanctioned by shareholders and who will act in the best interests of shareholders as a whole. As the Executive Chairman has a significant relevant interest in the Company, he is well placed to act on behalf of shareholders and in their best interest.

The Board is mindful that the Board comprises less than a majority of independent Directors. However, the Board is able to exercise objective judgment on business and corporate affairs in the presence of the current Independent Directors on the Board who provide unbiased and independent view, advice and judgment. In respect of potential conflict of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Listing Requirements.

The Code recommends the appointment of a senior independent non-executive director to whom concerns may be conveyed. As explained in the Compliance Statement above, the Board has not appointed any Independent Non-Executive Director to fulfil the role. The Board is confident that the current Board composition fairly reflects the interests of minority shareholders in the Company.

4. FOSTER COMMITMENT

4.1 Time Commitment

Meetings

The Board ordinarily meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be made in between the scheduled meetings. During the financial year under review, the Board met six (6) times on 29 February 2016, 22 April 2016, 27 July 2016, 27 October 2016, 25 November 2016 and 9 December 2016; where it deliberated upon and considered various matters.

Details of each existing Director's meeting attendance during the financial year under review are as follows:

<i>Meetings Attended (Out of 6)</i>		
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	Executive Chairman	5/6
Brian Tan Guan Hooi	President and Group Chief Executive Officer	6/6
Wong Kin Chai	Executive Director	6/6
Yap Kee Keong	Executive Director	6/6
Dato' Seri Nazir Ariff Bin Mushir Ariff	Independent Non-Executive Director	6/6
Dato' Danny Goon Siew Cheang	Independent Non-Executive Director	6/6
Zarizana @ Izana Binti Abdul Aziz	Independent Non-Executive Director	3/6

CORPORATE GOVERNANCE STATEMENT (CONT'D)

4. FOSTER COMMITMENT (CONT'D)

4.1 Time Commitment (cont'd)

Meetings (cont'd)

The Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company and the Board is confident with the level of time commitment which would *inter alia* comprise attendance at:

- Board meetings
- Board Committee meetings
- Annual General Meetings
- Site visits

In line with the Code, the protocol adopted by the Company in relation to the acceptance of new directorship is that each Director is required to notify the Chairman of the Board prior to accepting directorships in public and public listed companies incorporated in Malaysia as well as directorships in corporations with similar businesses operating in the same jurisdiction; and the notice of appointment is also circulated/tabled to the Board for information.

4.2 Directors' Training

The Board through the Nomination Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Under its Terms of Reference, the Nomination Committee will evaluate and determine the training needs of the Directors under the continuing education programmes.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted currently by Bursatra Sdn Bhd.

During the financial year under review, all Directors have attended various training programmes and seminars, details as set out below, to enhance their knowledge and expertise:

Director	Training/ Seminars/ Conferences
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi	<ul style="list-style-type: none">• Companies Act 2016: Impact on Directors
Brian Tan Guan Hooi	<ul style="list-style-type: none">• Seminar on Proposed Malaysian Code on Corporate Governance 2016 - Implications to Listed Issuers and Board• Governing Boards - Roles and Responsibilities Workshop
Wong Kin Chai	<ul style="list-style-type: none">• Companies Act 2016: Impact on Directors• Launch of the AGM Guide & CG Breakfast Series: 'How To Leverage on AGMs for Better Engagement with Shareholders'
Yap Kee Keong	<ul style="list-style-type: none">• Companies Act 2016: Impact on Directors
Dato' Seri Nazir Ariff Bin Mushir Ariff	<ul style="list-style-type: none">• Seminar on Proposed Malaysian Code of Corporate Governance 2016 - Implications to Listed Issuers and Board
Dato' Danny Goon Siew Cheang	<ul style="list-style-type: none">• Seminar on Proposed Malaysian Code of Corporate Governance 2016 - Implications to Listed Issuers and Board• Companies Act 2016: Impact on Directors• New Public Rulings in 2016• Risk Management & Internal Control: Workshop for Audit Committee Members - "An Integrated Assurance on Risk Management and Internal Control - Is Our Line of Defence Adequate and Effective?"
Zarizana @ Izana Binti Abdul Aziz	<ul style="list-style-type: none">• Companies Act 2016: Impact on Directors

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual and quarterly financial statements to Bursa Securities as well as the Management Discussion and Analysis section in this Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting as set out in the Audit Committee Statement.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgement and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

5.2 Assessment of Suitability and Independence of External Auditors

The external auditors of the Company fulfil an essential role in giving assurance to the Company's shareholders on the reliability of the Group's financial statements.

The external auditors have an obligation to bring to the attention of the Board, the Audit Committee and Management any significant weaknesses in the Company's and the Group's system of reporting, internal control and compliance with the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and regulatory requirements.

The external auditors of the Company are invited to attend all Audit Committee meetings.

The Audit Committee also meets with the Group's external auditors at least twice a year without the presence of Management to discuss and review their audit findings and any other matters they wish to bring to the attention of the Audit Committee.

The Audit Committee has obtained annual written assurance of independence from external auditors after the audit. The external auditors have implemented a number of firm wide ethics and independence systems to maintain objectivity, to be free from conflict of interests when discharging their professional responsibilities and monitor compliance with their firm's policies in relation to independence and ethics. Moreover, the external auditors have an audit engagement partner rotation policy of five (5) years.

The Audit Committee has adopted Exhibit 14 of Bursa Malaysia's Corporate Governance Guide, 2nd edition, to review and assess with Management annually, the performance, suitability and independence of the external auditors and the level of non-audit services rendered by them.

Being satisfied with the external auditors' performance, technical competency and audit independence, the Audit Committee recommended to the Board for their re-appointment. The Board has approved the Audit Committee's recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of the external auditors for the ensuing year.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.2 Assessment of Suitability and Independence of External Auditors (cont'd)

During the year, the audit and non-audit fees incurred by the Company and its subsidiaries for services rendered by external auditors of the Company and its affiliated firms are set out below:

	Group	Company
	RM'000	RM'000
Audit fees	426	37
Non-audit fees	257	93

The non-audit fees consist mainly of tax compliance fees, corporate exercise fees on disposal of 30% equity interest in Fumakilla Asia Sdn. Bhd. and 26.36% equity interest in PT Fumakilla Nomos and etc. The non-audit fees is 60.3% and 251.4% of the Group's and Company's audit fees respectively for financial year ended 31 December 2016.

The key features underlying the relationship of the Audit Committee with the external auditors are as set out in the Audit Committee's Terms of Reference section in this Annual Report.

A summary of the activities of the Audit Committee during the financial year is set out in the Audit Committee Statement.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risk

The Board has oversight and overall responsibility for the governance, risk management and internal control system of the Company and its subsidiaries, which provides reasonable assurance on its achievement of its objectives, effective and efficient operations, compliance with laws and regulations, and adherence with internal policies and procedures.

An enterprise risk management and internal control system has been established to ensure achievement of the Group's long-term strategic objectives, effective and efficient operations as well as safeguarding of assets and shareholders' interest of the Company and its subsidiaries.

6.2 Internal Audit Function

The in-house Internal Audit function provides objective and independent assurance and consulting to ensure the adequacy and effectiveness of the Group's governance, risk management and control system and monitors compliance with the law, policies and procedures.

The Statement on Risk Management and Internal Control as set out in this Annual Report provides an overview on the state of risk management and internal control in the Company and its subsidiaries.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Company acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and public at large. As such, the Board observes the Corporate Disclosure Guide issued by Bursa Malaysia Berhad which can be viewed from Bursa Securities' website at www.bursamalaysia.com as well as adhering to and complying with the disclosure requirements of the Listing Requirements.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of legal and regulatory framework governing the release of material and price-sensitive information. Such material and price-sensitive information is not released unless it has been duly announced or made public through proper channels.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website, www.texchemgroup.com, provides a comprehensive avenue for latest information dissemination to the shareholders and public, such as dedicated sections on corporate information including financial information, Company news and corporate governance. Shareholders are able to put questions to the Company through its email published in the website and the Company will reply accordingly.

The Company also maintains a Facebook page "Texchem Group – Official" where corporate events and staff activities are posted as a way to engage with the employees and general public.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder participation at General Meetings

The Company fully recognises the rights of the shareholders and encourages them to exercise their rights at the Company's AGM. The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both individual and institutional shareholders on all issues relevant to the Company at the AGM. It is also a requirement for the Company to send the Notice of the AGM and related papers to shareholders at least twenty one (21) days before the meeting. The Notice of the AGM is also published in the Company's website, www.texchemgroup.com from the date of notice up to AGM. At the AGM, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written answer after the AGM. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year under review and outlines the prospects of the Group for the subsequent financial year.

The Board also shares with shareholders at general meetings the questions, if any, submitted in advance by the Minority Shareholder Watchdog Group in respect of the agenda of the general meetings and the Company's responses thereto.

8.2 Poll Voting

Pursuant to Paragraph 8.29(A) of the Listing Requirements, all resolutions tabled at general meetings will be put to vote by way of a poll and the voting results will be announced at the general meetings and through Bursa Securities.

The Board will ensure that all resolutions set out in the forthcoming and future general meetings will be voted on by way of a poll and verified by an independent scrutineer. The outcome of all resolutions proposed at the general meetings will be announced to Bursa Securities on the same day.

In line with the aforesaid amendments to the Listing Requirements, the resolution tabled at the Company's Extraordinary General Meeting held on 25 November 2016 was voted on by poll and the poll result was verified by an independent scrutineer and thereafter announced to Bursa Securities.

8.3 Effective Communication and Proactive Engagements with Shareholders

As an ongoing effort for the Company to strengthen the Company's relationship with the shareholders, the Company continues to build shareholders' confidence by keeping shareholders informed of all major developments and performance of the Group through timely announcement on quarterly results and various disclosures and announcements made to the Bursa Securities via the Bursa Link, press releases, the Company's annual reports and circulars to shareholders and maintaining an active dialogue with shareholders with the intention of giving shareholders as much as possible, a clear and complete picture of the Company's performance and position.

Press conferences are also held to brief members of the media on key events of the Company. In addition, throughout the financial year under review, the Company had programmes for meetings or interviews with the investment community or press.

This statement is issued in accordance with a resolution of the Board dated 2 March 2017.