

Statement on Corporate Governance

The Board of Directors (“the Board”) recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised by the Group in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012” or “the Code”).

1. CLEAR ROLES AND RESPONSIBILITIES

1.1 Functions of the Board

To ensure the effective discharge of its function and responsibilities, the Board established an internal governance model for delegating of specific powers of the Board to the relevant Board Committees, the Managing Director (“MD”) and the Senior Management of the Company and respective subsidiaries.

Key matters reserved for the Board’s approval including but not limited to the Group’s annual budget, business continuity plan, issuance of new securities, business restructuring, and acquisitions and disposals of companies and property, plant and equipment. All Board’s decisions are recorded in the minutes, including the deliberation for each decision, along with actions to be taken and the individuals responsible for implementation. Relevant Board decisions are communicated to the Senior Management for implementation within a reasonable timeframe.

The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group’s business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Group’s annual budget will be tabled for the Audit Committee (“AC”) and Board’s approval. The Management will also report on the Group’s capital expenditure to the AC and Board on quarterly basis.

Periodic briefings on the Group’s prospects and performance are also conducted for the Directors to ensure that the Board is well informed on the Group’s operational, financial and corporate issues.

The Board Committees are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (“ToR”). At each Board meeting, minutes of Board Committee meetings will be circulated to the Board to keep the Board informed. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

The Board has set up the clear task and responsibilities to the Senior Management. Management Meetings were held periodically between the Executive Directors and the Senior Management to discuss the major business affairs of the Group. Besides, the Board has also delegated the authority to Senior Management in respective subsidiaries to run the daily errand in pursuant to the authority matrix set.

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1.2 Roles and responsibilities of the Board

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group's stakeholders and is ultimately responsible for the performance of the Group. The Board assumes the following core responsibilities:-

- Reviewing and adopting strategic plans for the Group;

The Group has adopted top-down strategic planning process whereby the Executive Directors will periodically formulate Group's strategy and communicate it down to the organisation for implementation. During the strategic planning process, the Executive Directors will set the Group's mission and objective. The Executive Directors will carry out situation analysis, inclusive of allocation of time, human capital and budget with the Senior Management before formulating the strategy in achieving the Group's objectives. During the implementation of the strategic plans, relevant policies will be set and communicate to the respective team for implementation and necessary organisational changes will be putting in place. During the implementation stage, the Senior Management will continuously monitor and to ensure the effectiveness of the plan.

- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;

The Board will continuously observe the external and internal business environment to ensure proper actions has been taken to address the environmental changes that might affect the Group's business. Besides, periodical management meetings will be held for reporting by respective division heads and/or Senior Management to ensure the business is being properly managed.

- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

The Board oversees the Enterprise Risk Management ("ERM") framework of the Group and monitors the Group's risk profile with the assistance from its Risk Management Committee ("RMC"). The RMC comprising the Executive Directors and Senior Management vide its periodically meeting will continue to assess to Group's risk exposure and implementation of appropriate actions to manage the risks. The RMC advises the AC and the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation.

- Succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;

The Board is fully aware of the importance of succession planning to the Group and is endeavour in identifying, appointing and training of internal people with potential to fill the key position in the Group.

The shareholders of the Company had via its Extraordinary General Meeting held on 25 February 2016, approved the establishment of an Employees' Share Option Scheme ("ESOS"). The rationale of the Scheme is to, inter alia,

- (i) motivate and encourage the employees of the Group by rewarding them for their contribution and achieving a greater level of commitment and dedication, resulting in enhanced productivity;
- (ii) reward and retain the employees whose services are vital to the businesses, continued growth and future expansion of the Group;
- (iii) establish a more competitive remuneration package to attract more skilled and experienced individuals to join the Group and contribute to its continued growth and profitability; and
- (iv) create a greater sense of ownership and belonging among the employees upon exercising of their ESOS Options as they will be able to participate directly in the future growth of the Group.

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- Developing and implementing an investor relation programme or shareholder communication policy for the Company;

As part of the implementation of investor relation programme, the Board has identify the relevant personnel in handling investor relation related matter in the Group and their contacts are as published in the Group's website. Besides, shareholders or investors may conveyed any concern / grievances to the Independent Directors of the Company accordingly. During the financial year, the Company communicated material news on the Company to its shareholders vide release of public announcement.

- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines with the assistance from the Internal Auditors, External Auditors and Company Secretary.

1.3 Ethical standards through Code of Ethics

The principle of the Company's Codes of Ethics for Directors is based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility. The Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:-

- To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person.
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating the Group.

The Code of Ethics for Directors of the Group is available at the Company's website.

As a measure to govern the conduct of its employees, the Company has in place its Whistleblower Policy and Procedures ("WPP") and Employees Hand Book.

The Code of Ethics for employees promotes integrity and ethical conduct in all aspects of the Group's operations, including but not limited to privacy and confidentiality of information. It also sets out prohibited activities or misconduct such as accepting gifts, bribes and dishonest behavior.

The WPP seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Group may be exposed. The Board has overall responsibility to oversee the implementation of the WPP and all whistle-blowing reports are to be addressed to the respective personnel as assigned pursuant to the Group's WPP. This mechanism will allow the stakeholders of LNGRES to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group and about business improvement opportunities.

Further to the Group's WPP, any internal concern should be raised with immediate superior. If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to 'Group Managing Director' ('Group MD'). Channel of reporting to Group MD are:

Name : Mr. Yong Chan Cheah
 Email : jky@lng-res.com
 Telephone : (606) 953 6088 (ext 111)
 Fax : (606) 953 2691 / 953 6986
 Address : K27, Jalan Perindustrian, Kawasan Perindustrian Tanjung Agas, 84000 Muar, Johor

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In the case where reporting to management is a concern, then the report should be made to the Chairman of Audit Committee. Channel of reporting to the Chairman of Audit Committee are:

Name : Mr. Low Hee Chung
Email : hclow@lng-res.com
Address : 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang

The detailed WPP of LNGRES is available at its corporate website.

1.4 Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating LNGRES's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. Generally, the meeting papers for the Board of Directors' Meeting and/or respective Committee Meeting are circulated at least 7 days prior to the Meetings. In promoting productive discussion during the respective Meetings, the Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretaries also keep the Board updated on changes in the Listing Requirements and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

1.7 Board Charter

The Board has made available its Board Charter on its corporate website. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of LNGRES.

The Board reviewed its charter on 9 April 2015 and 7 April 2016 respectively. The Board will continue the practice to review its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

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2. STRENGTHEN COMPOSITION

2.1 Nominating Committee (“NC”)

The NC of LNGRES was established on 12 February 2007 to assist the Board in recommending appointment of new Directors and assessing the effectiveness of the Board.

The membership of the NC is as follows:

Chairman	: YBhg Dato’ (Dr) Pahamin Ab Rajab	<i>(Non-Independent Non-Executive Director)</i>
Members	: Low Hee Chung	<i>(Independent Non-Executive Director)</i>
	Lee Huei	<i>(Independent Non-Executive Director)</i>

The NC of LNGRES assumes the following core responsibilities:-

- formulating the nomination, selection and succession policies for members of the Board;
- review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- consider the election criteria and develop procedures for the sourcing and election of candidates to stand for election by LNGRES’s shareholders (“Shareholders”) or to fill casual vacancies of Directors;
- identify and nominate candidates to the Board for it to recommend to Shareholders for election as Directors;
- undertake an assessment of its Independent Directors annually;
- review the training needs for the Directors regularly; and
- establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole.

Details of the ToR for NC of LNGRES are available at its corporate website.

In line with the ToR of NC, there are two (2) meetings held by the NC during the financial year ended 31 December 2015. The activities carried out by the NC during the financial year ended 31 December 2015 in discharging its functions are as follows, amongst others:

- reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- undertaken an assessment of independency of its Independent Directors; and
- reviewed the training needs for the Directors.

2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors

The Company has in place its procedures and criteria for appointment of new directors. It has been a practice to the Company that NC will carried out an interview with the candidates prior to his/her appointment as a director of the Company. All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates’ character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidate.

The NC will also be reviewing the composition of respective board committee of the Company to ensure its effectiveness in functioning.

The NC has also established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.

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In accordance with the Company's Articles of Association ("AA"), all Directors are subject to re-election by shareholders at the Annual General Meeting ("AGM") following their appointment. At least one-third (1/3) of the remaining Directors shall retire from office at each AGM at least once in every three (3) years, but shall be eligible for re-election.

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy. However, the Board noted the recommendation of the MCCG 2012 on gender diversity in the Board and has appointed Ms. Gor Siew Yeng as Independent Director of the Company. Moving forward, the Board will continue to tap talent from human capital market from time to time with the aim to increase the number of female director in its Board in the future.

2.3 Remuneration policies

The Remuneration Committee ("RC") was established on 12 February 2007 and is responsible for recommending to the Board on the remuneration framework as well as the remuneration package of Executive Directors to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The Committee also ensures the level of remuneration for Non-Executive Directors and Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The membership of the RC is as follows:

Chairman	: Gor Siew Yeng	<i>(Independent Non-Executive Director)</i>
Members	: Low Hee Chung	<i>(Independent Non-Executive Director)</i>
	Yong Chan Cheah	<i>(Managing Director)</i>

The Company's remuneration policy for Directors is formulated to attract and retain individuals of the necessary calibre needed to run the business of the Group successfully. The remuneration is structured to link experience, expertise and level of responsibility undertaken by the Directors. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

The current remuneration policy of the Group is summarised as follows:-

- The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
- Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- Meeting Allowance – All the Directors are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- Benefits-in-kind – only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group.
- The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

The details of the Company's Directors' remuneration comprising remuneration received/receivable from the Company and its subsidiary companies during the financial year ended 31 December 2015 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	-	141,000	141,000
Salaries and other emoluments	1,324,256	12,500	1,336,756
Benefits-in-kind	8,246	-	8,246
Total	1,332,502	153,500	1,486,002

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The Directors' remuneration of the Company's Directors are categorised into the following bands:

Range of Remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM50,001 to RM100,000	-	1
RM650,001 to RM700,000	2	-

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The NC played an important role to assist the Board in assessing the independence of Non-Executive Directors of the Company on annual basis. Based on the assessment conducted by the NC, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors of the Company and their ability to act in the best interest of the Company.

The NC develops the criteria to assess independence of Independent Director, include but not limited to directors' background, family relationships, interest of shareholdings in the Company and related party transactions with the Group (if any).

With respect to the re-election of Mr. Low Hee Chung, the Independent Directors of the Company seeking for re-election at the forthcoming 14th AGM of the Company, the Board is of the opinion that he has demonstrated that he is independent from the Management and free from business relationship that might interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. Therefore, the Board unanimously recommends and supports the proposed re-election of Mr. Low.

3.2 Tenure of Independent Directors

The Board has adopted a nine (9) year policy for Independent Directors. The Board will justify and seek shareholders' approval in the event it retains as an Independent Director who has served in that capacity for more than nine (9) years.

3.3 Shareholders' approval to retain an Independent Director who has served for more than nine (9) years

Currently, all the Independent Directors of the Company served less than a tenure of nine (9) years in the Company. The Board will justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

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3.4 Separation of roles of Chairman and Managing Director

The Company practises a division of responsibilities between the Non-Independent Non-Executive Chairman and the Managing Director. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director. The Chairman is responsible for the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The Managing Director is in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.

3.5 Composition of the Board

The Board currently has six (6) members comprising a Non-Independent Non-Executive Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition complies with Rule 15.02 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

In the event of any vacancy in the Board resulting in the non-compliance with the above, the Company must fill the vacancy within three (3) months. The Board is of the opinion that the interests of shareholders of the Company are fairly represented by the current Board composition and its size constitutes an effective Board of the Company.

The presence of the three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

The Board is mindful to the recommendation that the board must comprise a majority of independent directors where the Chairman of the Company is not an independent director. The Board is of the opinion that other than his shareholdings in the Company, YBhg Dato' (Dr) Pahamin Ab Rajab has demonstrated that he is independent from the Management and free from business relationship that might interfere with the exercise of independent judgement.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element of the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors at the following address and such concerns will be reviewed and addressed by the Board accordingly:-

Mr. Low Hee Chung / Mr. Lee Huei / Ms. Gor Siew Yeng
LNG Resources Berhad
57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang

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4. FOSTER COMMITMENT

4.1 Time Commitment

The Board does not specifically set out the expected time commitments from each Directors. However, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of LNGRES. This is evidenced by the attendance record of the Directors at Board meetings.

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met five (5) times during the year under review. The meeting attendance record of the Directors is as follows:

	Meeting Attendance
YBhg Dato' (Dr) Pahamin Ab Rajab	5/5
Yong Chan Cheah	5/5
Yong Swee Chuan	5/5
Low Hee Chung	5/5
Lee Huei	5/5
Gor Siew Yeng	5/5

Though the Company does not set a policy for Directors to notify the Chairman and/or Management prior to accepting new appointments, to ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Listing Requirements, a Director of LNGRES must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to LNGRES.

The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of LNGRES and for notification to Companies Commission of Malaysia accordingly.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year.

4.2 Continuing Training Programme

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

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The details of trainings attended by the Directors are as follows:-

Director	Date	Description
YBhg Dato' (Dr) Pahamin Ab Rajab	8 May 2015 / ½ day	"Lead the Change: Getting Women on Boards" event organized by PEMANDU in collaboration with the Ministry of Women, Family and Community Development
Yong Chan Cheah	23 April 2015 / ½ day	Industrial Development and R&D Upgrade Financing organised by MIDF
	24 April 2015 / 1 day	Penang Industrial Outlook and How To Be More Creative organised by InvestPenang
	29 & 30 April 2015 / 2 days	Problem Solving and Decision Making Skills organised by SQC Consulting Group
	9 June 2015 / 1 day	High Speed Stamping Technology and Automation organised by InvestPenang
	2 September 2015 / 1 day	EDM Technology and Industrial Automation organised by InvestPenang
	24 November 2015 / 1 day	Metal Material Technology and Training organised by Universiti Sains Malaysia
Yong Swee Chuan	29 & 30 April 2015 / 2 days	Problem Solving and Decision Making Skills organised by SQC Consulting Group
Low Hee Chung	6,7 & 8 Mar 2015 / 3 days	"Goods & Services Tax (GST) - A Preparatory Course for GST Consultants and Accountants" organised by Malaysian Institute of Accountants
Lee Huei	12 October 2015 / 1 day	IACS-COMTRAC Seminar 2015 -Stepping Into The World of Directorship" organised by Institute Approved Company Secretaries
Gor Siew Yeng	18 September 2015 / 1 day	Secretarial Compliance Issue and Monthly Tax Deduction - Final Tax organised by Malaysian Association of Companies Secretaries
	19 September 2015 / 1 day	Practice of Company Meetings & Related Issue Under the Proposed New Companies Bill organised by Malaysian Association of Companies Secretaries
	22 October 2015 / 1 day	Impact of GST on Employee Benefits organised by Commerce Clearing House (Malaysia) Sdn. Bhd.

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5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement and Management Discussion and Analysis in the annual report.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 34 of this Annual Report 2015.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.

5.2 Assessment of suitability and independence of external auditors

The AC had obtained written assurance from its external auditors, Messrs. Crowe Horwath, confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Moving forward, the AC will consider setting up of its assessment guide to assess the suitability and independence of external auditors considering the factors which include adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence and the level of non-audit services to be rendered by the external auditors to the Company, etc.

6. RECOGNISE AND MANAGE RISK

6.1 Sound framework to manage risk

With the assistance of its outsourced Internal Auditors ("IA"), the AC oversees the Enterprise Wide-Risk Management framework of the Group and reviews the risk management framework formulated by the Management.

The Company had also formed its Risk Management Committee ("RMC") on 11 April 2013 to closely monitor the Group's risk profile. The RMC will review and recommend to the Board the type and level of business risks of LNGRES Group and the appropriate framework and policies for managing such risks.

The Group employed the "Top-down" methodology for the risk assessment process. The approach to conducting the risk assessment shall include the following steps:

- a) Review of Information - The Group shall perform Risk Management mapping process entails reliance on available data.
- b) The RMC identify and review the Group's processes and issues that present the most significant risks to the Group, based on the assessment and forecast of the business and operating environment. The Executive Directors and Heads of Departments will discuss risks related to their specific areas as well as comment on their perceptions of risks to the overall organisation. During the meetings, the strategies, objectives, current and planned changes in operations, and related risks shall be discussed.

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- c) In assessing risk, the summarised results should be compared to the risk universe. The four major categories of risks are business strategy, compliance, financial and operational. The identification of primary business processes would enable the prioritisation of risk throughout the organisation.

Overall, the risk assessment is based on collective inputs from the Executive Directors and Heads of Departments, review of various data and management reports and application of cumulative knowledge of the industry. The identified risk exposures can be used in developing a risk-based internal audit plan with Internal Auditors.

The risk response strategy adopted in respond to the various identified risk in the aforementioned audit risk universe are Transfer, Reduce, Accept and Avoid.

The RMC reviewed and assessed the Group's Risk Register on quarterly basis and tabled the details RMC report to the AC and the Board on half yearly basis.

6.2 Internal Audit Function

The Group has engaged the services of an independent professional firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the AC on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

The Statement on Risk Management and Internal Control set out on pages 37 to 39 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining a proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Company has put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information.

The Company has also conduct internal training and briefing to the employees (those with access to the confidential information) from time to time to enhance the awareness of employees on corporate disclosure requirements and to keep them abreast on the updates of the same.

7.2 Leverage on information technology for effective dissemination of information

LNGRES's website incorporates an Investor Relations ("IR") section which provides all relevant information on the Group and is accessible by the public. This section enhances the IR function by including share price information, all announcements made by LNGRES, annual reports, board charter and the corporate and governance structure of LNGRES.

The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

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8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

LNGRES dispatches its notice of AGM to shareholders more than twenty-one (21) days before the AGM, in advance of the notice period as required under the Companies Act, 1965 and Listing Requirements. The additional time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

The Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. LNGRES has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

8.2 Encourage poll voting

At the 13th AGM of the Company held on 28 May 2015, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands.

8.3 Effective Communication and proactive engagement

The proceedings of the 13th AGM included the presentation of the Company's operating and financial performance for 2014. YBhg Dato' Chairman also invited shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

In addition to the above, the Company will look into allocation of time during AGM for dialogue with shareholders to address the issues concerning the Group and to make arrangement for Officers of the Company to present and handle other face-to-face enquiries from shareholders.

This statement was made in accordance with a resolution of the Board dated 7 April 2016.