

Corporate Governance Overview Statement

The Board of Directors (“the Board”) of LNG Resources Berhad (“LNGRES” or “the Company”) is pleased to provide an overview of the Company’s corporate governance practices during the financial year ended 31 March 2018 with reference to the 3 Principles as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG” or “the Code”). The Company’s application of each Practice set out in MCCG during the financial year 2018 is disclosed in the Company’s Corporate Governance Report (“CG Report”) which is available on the Company’s website at <http://www.lng-res.com> as well as via the Company’s announcement made to Bursa Malaysia Securities Berhad (“Bursa Securities”).

This statement is prepared in compliance with Bursa Securities ACE Market Listing Requirements (“ACE LR”) and it is to be read together with the CG Report.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible for oversight and overall management of the Company and the delivery of sustainable value to its stakeholders. 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, Managing Director of the Group (“CEO”) and Executive Director and the Senior Management of the Company and respective subsidiaries.

The Board plays an active role in the development of the Company’s strategy. The Board reviews and approves the annual business plan recommended by the Management. 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 Board has established Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESOS Committee.

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.

Separation of Roles of Chairman and CEO

The Company practises a division of responsibilities between the Non-Independent Non-Executive Chairman and the CEO. 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 CEO. The positions of the Chairman and CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of LNGRES.

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

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Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act, 2016.

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 seven (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 Group's and 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.

Board Charter

The Board Charter 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 last reviewed its charter on 5 July 2018. The Board will continue the practice to review its charter regularly, at least once a year to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.

Code of Ethics and Conduct

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.

Whistleblower Policy

LNGRES has in place the Whistleblower Policy and Procedures that fosters an environment in which integrity and ethical behavior are maintained and any illegal or improper actions and/or wrong doing in the Group may be exposed. The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors.

Further details pertaining to the respective ToR of Board Committees, Board Charter, Code of Ethics and Whistleblower Policy and Procedures are available at LNGRES's website at <http://www.lng-res.com>.

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II. Board Composition

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 LR 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.

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management.

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/ Ms Gor Siew Yeng/ Ms Chuah Poay Ngee
LNG Resources Berhad
57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang.

Nominating Committee ("NC")

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>
	Gor Siew Yeng	<i>(Independent Non-Executive Director)</i>
	Chuah Poay Ngee	<i>(Independent Non-Executive Director)</i>

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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 annually; 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 at <http://www.lng-res.com>.

In line with the ToR of NC, there is one (1) meeting held by the NC during the financial year ended 31 March 2018 ("FY2018"). The activities carried out by the NC during the financial year 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;
- recommended to the Board on those Directors who retire pursuant to Article 81 of the Articles, being eligible, to seek re-election during the forthcoming AGM; and
- reviewed the training needs for the Directors.

Appointment of New Directors to the Board

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 carry out an interview with the candidate 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 leads the process for identifying and making recommendations for the Board's approval on suitable candidates for directorship to the Board and members to the Board Committees. The Board will then based on the recommendation of the NC, evaluates and decides on the appointment of the proposed candidate(s). The Company Secretaries will ensure that all appointments are properly conducted and that legal and regulatory obligations are met.

The NC will assess the potential candidate's suitability and the candidates are required to declare and confirm in writing their independence based on the criteria on independence as set out in the ACE LR.

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

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Board Evaluation

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.

On 24 May 2018, an assessment of the effectiveness of the Board, respective Board Committee and Independence (“the Assessment”) were carried out in respect of the FY2018. Appraisal form which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board as well as each Board Committee, were being circulated at the NC meeting for assessment. The NC reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other qualities to serve effectively.

Notwithstanding the recommendation of the MCCG, the Company does not practice any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment. The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the Code’s target. Besides, the Board also made progress in broadening the diversity of the Board and Senior Management from time to time.

The skillsets and diversity of the existing Board are summarised as follows:

Directors	Nationality	Designation	Industry / Background Experience							By Composition							
			Technology	Marketing	Industrial	Corporate	Accounting / Finance	Internal Audit	Law / Legal	Age			Ethnic	Gender			
										30 – 39 years	40 – 49 years	50 – 59 years		60 – 70 years	70 years and above	Bumiputra	Chinese
YBhg Dato’ (Dr) Pahamin Ab Rajab	Malaysian	Chairman/ Non-Independent Non-Executive Director		√	√	√	√		√				√				
Yong Chan Cheah	Malaysian	Managing Director	√	√	√	√	√			√				√	√		
Yong Swee Chuan	Malaysian	Executive Director	√	√	√	√				√				√	√		
Low Hee Chung	Malaysian	Independent Non-Executive Director				√	√	√			√			√	√		
Gor Siew Yeng	Malaysian	Independent Non-Executive Director				√		√	√		√			√			√
Chuah Poay Ngee	Malaysian	Independent Non-Executive Director	√	√	√	√	√	√		√				√			√

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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 Group.

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).

Time Commitment

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met five (5) times during the financial 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
Gor Siew Yeng	5/5
Chuah Poay Ngee	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 ACE LR, 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 calendar year.

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 during the financial year are as follows:

Director	Date	Description
YBhg Dato' (Dr) Pahamin Ab Rajab	20 November 2017 ½ Day	Hands-on Programme for Entrepreneurship (HOPE)
Yong Chan Cheah	28, 29 & 30 June 2017 3 Days	2017 Sensors Expo and Conference
	12 July 2017 1 Day	Matrade – SEMICON Technology Development
	3 August 2017 ½ Day	3 Steps to Becoming the New Digital CFO
	15 August 2017 1 Day	Palo Alto Research Center (PARC) – New Manufacturing Technology - Machining
	30 September 2017 1 Day	Effective Supervisory and Leadership Skills
	3 October 2017 ½ Day	Enterprise Risk Management Briefing
Yong Swee Chuan	3 October 2017 ½ Day	Enterprise Risk Management Briefing
	17 January 2018 1 Day	ISO 9001:2015 Quality Management System (QMS) Awareness
	31 January 2018 1 Day	ISO 14001:2015 Environment Management System (EMS) Awareness
Low Hee Chung	7 November 2017 1 Day	2018 Budget Proposal
	28 March 2018 ½ Day	SAGE UBS Seminar – GST Tax Code
Gor Siew Yeng	6 & 7 April 2017 2 Days	Workshop on Companies Act, 2016
	17 November 2017 1 Day	Seminar on Budget 2018 + GST
Chuah Poay Ngee	3 August 2017 1 Day	Financial Integrity & Performance
	9 September 2017 ½ Day	Advocacy Session on Corporate Disclosure for Directors & Principal Officer for Listed Issuer
	4 & 5 October 2017 2 Days	9th International Conference on Financial Crime & Terrorism Financing 2017

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III. Remuneration

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 details of the Company Directors' remuneration comprising remuneration received/receivable from the Company and its subsidiaries during the FY2018 are as follows:

Name of Directors	Fees (RM)	Salaries, Bonuses, EPF & Other Emoluments (RM)	Allowances (RM)	Benefits-in- kind (RM)	Total (RM)
Non-Executive					
YBhg Dato' (Dr) Pahamin Ab Rajab	69,250	-	3,750	-	73,000
Low Hee Chung	41,000	-	3,750	-	44,750
Gor Siew Yeng	37,500	-	2,500	-	40,000
Chuah Poay Ngee	21,000	-	2,500	-	23,500
Executive					
Yong Chan Cheah	-	99,854	2,500	-	102,354
Yong Swee Chuan	-	69,060	2,500	-	71,560
Received/receivable from the Company	168,750	168,914	17,500	-	355,164

Name of Directors	Fees (RM)	Salaries, Bonuses, EPF & Other Emoluments (RM)	Allowances (RM)	Benefits-in- kind (RM)	Total (RM)
Non-Executive					
YBhg Dato' (Dr) Pahamin Ab Rajab	-	-	-	-	-
Low Hee Chung	-	-	-	-	-
Gor Siew Yeng	-	-	-	-	-
Chuah Poay Ngee	-	-	-	-	-
Executive					
Yong Chan Cheah	-	671,323	-	125,827	797,150
Yong Swee Chuan	-	730,043	-	-	730,043
Received/receivable from the subsidiaries	-	1,401,366	-	125,827	1,527,193
Total Group	168,750	1,570,280	17,500	125,827	1,882,357

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PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee (“AC”)

The AC comprises wholly three (3) Independent Directors. The AC is chaired by an Independent Director, Mr Low Hee Chung, a Chartered Accountant of the Malaysian Institute of Accountants, which is in compliance with Rule 15.09(1)(c) of the ACE LR of the Bursa Securities.

Annually, the composition of AC is reviewed by the NC and recommended to the Board for its approval. With the view to maintain an independent and effective AC, the NC ensures that only an Independent Non-Executive Director who is financially literate, possess the appropriate level of expertise and experience, and has strong understanding of the Company’s business would be considered for membership in AC.

The roles and responsibilities of the AC are spelt out in the ToR of the AC, a copy of which is available in the Company’s website at <http://www.lng-res.com>.

II. Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through its Risk Management Committee (“RMC”) in order to manage the overall risk exposure of the Group. The RMC assessed and monitored the efficacy of the risk management controls and measures taken, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to internal audit function for the Group. The RMC comprise of the Managing Director, Executive Director and Senior Management who are familiar with the business situation of LNGRES. The Board is satisfied with the performance of the RMC and AC and their respective Chairmen in discharging their responsibilities, based on the results of the Board Committees Effectiveness Evaluation of the 2018.

The Board is of the view that the internal control and risk management system in place during FY2018, is sound and sufficient to safeguard the Group’s assets and shareholders’ investments, and the interests of customers, regulators, employees and other stakeholders. The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board recognises the importance and need for shareholders to be informed of all material development and performance of the Group. The information is disseminated through annual reports, circulars to shareholders, press releases, quarterly reports and announcements made from time to time to Bursa Securities.

In addition, the Company’s website at <http://www.lng-res.com> provides information on the Group’s business, corporate development and announcements to Bursa Securities. Other information relevant to shareholders and investors such as share price volume history, technical charting, annual reports, circulars and quarterly reports are available for download at the Company’s website.

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II. Conduct of General Meetings

LNGRES's AGM is an important means of communicating with its shareholders. At the 15th AGM of the Company held on 24 August 2017, all six (6) members of the Board were present at the meeting. The proceedings of the 15th AGM included the presentation of the Company's operating and financial performance for the financial period ended 31 March 2017. The Chairman of the Board 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.

The shareholders of the Company are entitled to appoint representatives or proxy/proxies to attend, speak and vote on their behalf in their absence at general meetings.

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 Directors or Management of the Company to present and handle other face-to-face enquiries from shareholders.

The voting at the 15th AGM of the Company was conducted by way of manual poll-voting. The Company continues to explore the leveraging of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company. In line with the Practice 12.3 of the MCCG in promoting electronic voting, moving forward the Board will consider adopting electronic voting taking into consideration the advantages of electronic voting versus the costs involved.

This statement is made in accordance with a resolution of the Board dated 10 July 2018.