

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4995  
**COMPANY NAME** : VERSATILE CREATIVE BERHAD  
**FINANCIAL YEAR** : 31 MARCH 2019

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board provides effective leadership and overall strategic guidance and oversight of management, and ensures that the activities of the Company comply with the Companies Act, 2016 and its constitution. The Board is responsible for the overall business conduct of the Group, with priorities given on strategic management, risk management, internal control, succession planning and monitoring Management's performance. The Board also undertakes full responsibility on issues concerning the Group's financials, strategies, compliance, governance and other operational matters while protecting the interests of the Group's stakeholders.</p> <p>The Directors are aware of discharging their fiduciary duties and responsibilities to act in the best interests of the Group, shareholders and other stakeholders.</p> <p>The Board has reserved to itself the following specific responsibilities:</p> <p>(a) Strategy Reviewing and adopting the overall strategic plans and programmes for the Company and Group, and monitoring its implementation. The Board also oversees and evaluates the conduct of the business of the Company and group.</p> <p>(b) Oversight of management Appointment and removal of directors and company secretary, ensuring succession plans for key individual, adequate resources and manage those resources effectively. Senior management supplies the Board with information that will help the Board discharge its duties.</p> <p>(c) Shareholders Facilitating the effective exercise of shareholder's rights, ensuring accountable reporting to shareholders and that all regulatory requirements are met. The Board also ensures effective communication with shareholders and other stakeholders.</p> <p>(d) Stakeholders</p>

	<p>Maximising the shareholders' value, establishing and maintaining environmental, employment and occupational, health and safety policy.</p> <p>(e) Ethics Formulating a code of ethics and conduct to guide its directors and management in practices necessary to maintain confidence in the Company integrity as well as ensuring its compliances.</p> <p>(f) Identification of principal risk Identifying and understanding the principal risks of all aspects of the Company's business and ensuring the implementation of appropriate internal controls and mitigation measures.</p> <p>(g) Internal control system Reviewing the adequacy and integrity of the Group's management information and internal controls systems ensuring that there is a sound framework of reporting on internal controls and regulatory compliance.</p> <p>Decision-making for the day-to-day business operations of the Group is delegated to the Executive Directors within the limits of authority set. The Independent Directors provide independent advice and views so as to provide a check and balance in the Board decision making process. Accordingly, the Board confers some of its authority and responsibilities to the Executive Directors towards achieving the Group's goals as well as executing the strategies and business plans approved by the Board.</p> <p>In order to discharge its stewardship role effectively, the Board has delegated part of its responsibilities to the Board Committees, namely, the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"). The Board Committees deliberate the issues on a broad and in-depth basis before putting up any recommendation to the Board for approval. The ultimate responsibility for decision making lies with the Board.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman, Dato' Seri Mohd Shariff bin Omar provides leadership to the Board, and is responsible for the effectiveness, conduct and governance of the Board, as well as establishing and nominating good corporate governance practices. The Chairman also leads the Board and ensures its effectiveness on all aspects of its role. The Chairman also assumes a pivotal role as the facilitator in chairing all Board meetings and general meetings, ensuring such meetings are conducted in an orderly manner to promote constructive communication whereby Directors and shareholders are able to express their views or opinions openly. The Chairman also promotes constructive and respectful relations between Directors, and between the Board and Management.</p> <p>The roles and responsibilities of the Chairman are set out in the Board Charter, available in the Group's website at <a href="http://www.vc-b.com">www.vc-b.com</a></p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Company is held by Dato' Seri Mohd Shariff bin Omar, an Independent Director.</p> <p>The position of Chief Executive Officer is currently vacant.</p> <p>The operations of the Group are currently managed by two (2) Executive Directors.</p> <p>The Group has a clear distinction and separation of roles between the Chairman and the Executive Directors, with clear division of responsibilities in order to ensure a clear balance of power between the Chairman and the Executive Directors. The Chairman leads the Board in its collective oversight of management, while the Executive Directors are primarily responsible for the day-to-day business operations of the Group, developing the business direction of the Group, ensure that the business strategies and policies are effectively implemented and to explain, clarify and inform the Board on matters pertaining to the Group.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by an experienced and qualified Company Secretary who is a qualified professional and a member of one of the prescribed bodies in the Companies Act 2016.</p> <p>The Company Secretary is responsible on advising the Board on regulatory as well as governance matters and directives from time to time. The Company Secretary attends all meetings and ensure the meetings are convened properly, ensures accurate and proper records of the proceedings as well as resolutions passed are recorded and maintained in the statutory register of the Company.</p> <p>The Board has unrestricted access to the advice and services of the Company Secretary.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The schedule of all Board meetings and Board Committee meetings is set in advance at the beginning of every year. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision-making during meeting, and where necessary, to obtain supplementary information before meeting.</p> <p>The Board has full and unrestricted access to information within the Group at all times, and may choose to seek external professional advice at the expense of the Company.</p> <p>The Company Secretary is entrusted to record the minutes of meeting on the Board's and Board Committees' deliberation and ensure the deliberations are adequately documented. The minutes of meetings are then circulated to the Board and Board Committee members in a timely manner for further actions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Board Charter to provide guidance in the roles and responsibilities of the Directors and management, and to facilitate an effective discharge of its duties.</p> <p>The Board Charter, which serves as a referencing point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision, so that the control and direction of the Company are in its hands. The Board Charter is available on the Company's website at <a href="http://www.vc-b.com">www.vc-b.com</a>.</p> <p>Any amendment to the Board Charter can only be approved by the Board. The Board Charter was last reviewed on 24 May 2018 and will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 3.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has adopted the Code of Conduct to enhance the standard of corporate governance and behavior and to focus on the Board and each Director on areas of ethical risk, provide guidance to Directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help to foster a culture of honesty and accountability. The Code of Ethics is required to be observed by all Directors and are to be applied in all aspects of business. The Code of Conduct is available on the Company's website at <a href="http://www.vc-b.com">www.vc-b.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Group has formulated and formalised a Whistle Blowing Policy to address concerns pertaining to the possibilities of or unlawful conduct involving employees and management personnel of the Company. All reports on unethical conduct will be treated with highest confidentiality without any risks of reprisal from the Management. Appropriate procedures have been put in place to implement this policy. The Whistle Blowing Policy is available on the Company's website at <a href="http://www.vc-b.com">www.vc-b.com</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	There are seven (7) Board members; out of which five (5) are Independent Directors and two (2) are Executive Directors. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.2**

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

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

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>To maintain the best interest of the Company, diversity is applied within the Board, Senior Management and all levels of the organization. In line with this, the Board and Senior Management are appointed based on merit, mix of skills, competencies, experience, professionalism and other relevant qualities which includes age and cultural background to have better governance in the Group.</p> <p>Brief descriptions of the background of Directors and Key Management are presented in Directors' Profile and Key Management's Profile respectively in this Annual Report.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company is in the midst of formulating a gender diversity policy which encapsulates the objectives, principles and measures of the Group's diverse culture. The Board is supportive in upholding gender diversity within the boardroom and the Management with due consideration on merited factors, such as, skills, experience, attitude and suitability of any potential candidates. Hence, as part of the Company's succession planning, gender diversity objectives will constantly be observed as a key consideration by the Company even without any specific targets determined.</p> <p>Currently, the Board has two (2) female directors, representing 28.57% of the Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in place, the procedures and criteria for identifying candidates for appointment as directors.</p> <p>The NC is entrusted by the Board to consider, review and propose the appointment of new nominees for the Board and Board Committees. For new appointments, the NC assesses the suitability of potential candidates by considering their knowledge, skills, character, integrity, experience, time commitment, professionalism and other required criteria, before recommending to the Board for approval. The candidate is identified upon recommendation from shareholders, the Board, Management or other sources such as independent recruitment firms. The Company Secretary ensures the appointments are properly made and in compliance with all regulatory requirements.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NC is chaired by Mr. Loh Teck Wah who is an Independent Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board undertakes an assessment on the performance of the Board as a whole, the Board Committees and each individual Director on an annual basis with reference to the Corporate Governance Guide issued by Bursa Securities.</p> <p>The NC has developed the criteria to assess the effectiveness of the Board and each individual Director. The evaluation involves individual Director completing a set of questions regarding the following key areas:</p> <ul style="list-style-type: none"><li>• Board mix and composition</li><li>• Quality of information and decision making</li><li>• Board activities</li><li>• Board's relationship with the management</li><li>• Roles and responsibilities of the Board Chairman</li><li>• Compliance</li></ul> <p>As for the assessment of individual Director, self-performance evaluation is carried out using questionnaire based on key performance indicators tailored to evaluate each Director's performance at carrying out their duties effectively and identify the areas for further improvements. These assessments and comments are collated from all Directors and the results are discussed during the NC meeting.</p> <p>In addition, the NC undertakes an annual assessment of the independence of the Independent Directors to ensure they are able to exercise and maintain their independent judgement at all times.</p> <p>Upon reviewing the results of assessments for the financial year under review, there were no major concerns and the NC is satisfied with the existing Board composition as well as the mix of experience, expertise and qualification of its Board members.</p> <p>The NC concluded all Directors have demonstrated their commitment, responsibilities and effectiveness towards the Company in terms of time and participation during FYE 2019 and subsequently recommended to the Board on the re-election of the retiring Directors at the upcoming Annual General Meeting ("AGM").</p>

	<p>The Board is satisfied with the overall effectiveness of the Board and Board Committees, the contribution and performance of each Director, the current size, composition as well as the mix of skill sets of the Board and the independence of its Independent Directors. The terms of reference of the NC can be viewed from the Company's website at <a href="http://www.vc-b.com">/www.vc-b.com</a>.</p> <p>The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.</p> <p>The Board is satisfied that the external directorships of the Directors have not impaired their ability to devote sufficient time in discharging their roles and responsibilities effectively as well as regularly updating and enhancing their skills and knowledge.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		

**Intended Outcome**

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

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

**Practice 6.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is of view that setting a fair and competitive remuneration package is essential to attract, motivate and retain high calibre Directors and Senior Management in steering the Group to achieve its long-term goals.</p> <p>For Executive Directors and senior management, the remuneration is structured so as to link rewards to corporate and individual performance. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by each Director. While the Board has not formalised the remuneration policy, it is the practice by the Group that all Executive Directors and Senior Management are remunerated based on the Group’s performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.</p> <p>The Directors are not allowed to participate in making decisions regarding their own remuneration</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 6.2**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	At present, the RC consists of three (3) Independent Directors. The RC has been entrusted by the Board to determine the levels of remuneration sufficient to attract and retain Directors of quality required to manage the business of the Group. The RC is also entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors.  The RC has written Terms of Reference which deals with its authority and duties, and is on the Company's website at <a href="http://www.vc-b.com">www.vc-b.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Details of Directors' remuneration on named basis from both the Company and Group for the financial year ended 31 March 2019 are disclosed in the Corporate Governance Overview Statement.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	The Remuneration Committee ("RC") and the Board are of the view that it is disadvantageous to the Group's interest if the remuneration of its top 5 Senior Management are disclosed on a named basis, notwithstanding that the disclosure is limited to bands of RM50,000 in terms of their salaries, bonus, benefits-in-kind and others. Such disclosure makes the Group vulnerable to the loss of its personnel as the industry and the geographical location the Group operates in are competitive where poaching of executives and talents is commonplace.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairperson of the AC is Ms. Maggie Then and the Board is chaired by Dato' Seri Mohd Shariff Bin Omar.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Presently, none of the members of the AC was a former key audit partner of the Company's external auditors. The Board took note of the recommendation in the Code and will update its policy to stipulate that no former key audit partner shall be appointed as a member of the AC unless he/she has observed a cooling-off period of at least two (2) years before the appointment.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC is responsible for the annual assessment of the competency and independence of the external auditors and ensures that any provision of non-audit services by the external auditors are not in conflict with their role as auditors. Having assessed the performance and independence of the external auditors, the AC will recommend the re-appointment of external auditors to the Board, who will then seek shareholders' approval at the AGM.</p> <p>The AC has assessed the performance, competency, independence, technical capabilities and resource sufficiency of the external auditors. Based on the assessment, the AC was satisfied with the independence and performance of the external auditors and recommended to the Board to put forth a proposal for the re-appointment of the external auditors at the forthcoming AGM.</p> <p>During the financial year, the external auditors provided a confirmation to the AC 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.</p> <p>The AC meets with the external auditors at least twice a year to discuss their audit plans, audit findings and the Company's financial statements. Also, the AC meets with the external auditors additionally whenever the need arises. Furthermore, the external auditors attend every AGM whereby the financial statements of the Company are to be laid, to respond according to his knowledge and ability to any question raised in regards to the financial statements' audit.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The AC currently comprises solely of Independent Directors.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is satisfied that all the members of the AC collectively have the necessary skills and experiences required to be a member of the AC. Majority of the AC members have the necessary expertise and experience in the areas of financial, commercial, capital markets skills an, experience required to meet their responsibilities and provide an effective level of challenge to the Management. The profiles of the AC members are set out in the Annual Report.</p> <p>On an ongoing basis, the AC members will participate in training and development sessions in order to ensure that they are educated with the latest development in accounting and auditing standards, guidelines and practices.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In order to be effective in discharging these responsibilities, the Board is assisted by the AC, which functions as an oversight body to review controls and systems in general and to carry out on-going assessment over the adequacy and effectiveness of the risk management and internal control practices within the organisation.</p> <p>In addition to the abovementioned, the Board is supported by the Management in developing, implementing and monitoring practices for identifying and managing risks. This is added with the role of the Management to provide assurance that the necessary control practices are adhered and carried out accordingly based on stipulated policies and framework.</p> <p>Details of the risk management and internal control framework are elaborated further in the Statement on Risk Management and Internal Control in this Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>An assurance was provided by the Executive Directors and Chief Financial Officer that the Group's risk management and internal controls have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement, to the Board.</p> <p>Taking into consideration this assurance during the Board's assessment of the Group's risk management and internal control, the Board is of the view that the systems of internal control and risk management is considered adequate for the Group's business operations. An overview of the Group's risk management and internal control framework is disclosed in the Statement on Risk Management and Internal Control of the Annual Report 2019.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is currently outsourced to an external professional firm/service provider, namely, Sterling Business Alignment Consulting Sdn Bhd. (“Sterling”) who reports directly to the Audit Committee (“AC”), by providing independent and objective reports on the state of internal control of the various operations within the Group and the extent of compliance on established policies and procedures. The AC is responsible for monitoring and reviewing the effectiveness of the Group’s Internal Audit Function.</p> <p>The internal audit findings, results of work done and the Management’s responses as well as recommendations were tabled to the AC for their review.</p> <p>The AC carried out an assessment of the performance of the outsourced internal audit function and reported such assessment to the Board. Details of the internal audit function and activities relevant to the discharge of the AC’s responsibilities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report in this Annual Report. The AC is satisfied with the level of independence and professionalism of Sterling in carrying out their functions effectively.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group is outsourced to Sterling Business Alignment Consulting Sdn Bhd (“Sterling”). The internal audit function is independent from the activities of the Group it audits and carries out its work in accordance with the International Professional Practices Framework as promulgated by the Institute of Internal Auditors.</p> <p>The internal auditors in the Engagement Team assigned to the Company to carry out the internal audit function are free from any relationships or conflicts of interest which could impair their objectivity and independence. The number of staff deployed for the internal audit reviews ranges from 2 to 3 staff per visit. Ms. Yap Sau Peng heads the internal audit team and she has diverse professional experience in internal audit and risk management. She is a Member of the Institute of Internal Auditors Malaysia and MIA.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board believes that effective communication fosters better understanding of the Group's objectives and financial performance.</p> <p>In order to promote effective communication with the Company's stakeholders, information/results are made available through timely announcements and disclosure, executed via the Bursa Securities' website, the Company's webpage, press releases and annual reports. Additionally, the Company emphasised on providing a principal platform for dialogue and interactions with its shareholders and stakeholders through its AGMs.</p> <p>The AGM serves as a principal forum for dialogues with individual shareholders as it provides shareholders the opportunity to ask questions about the proposed resolutions or about the Company's operations in general. All relevant information pertaining to the Company is included in the Investor Relations section of the Group's website</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not fall under the "Large Company" as defined under Section 2.6 of the Malaysian Code on Corporate Governance. Therefore, this requirement is not applicable to the Company.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The notice of the 16th Annual General Meeting (“AGM”) scheduled to be held on 25 September 2019 will be despatched to shareholders on 31 July 2019. This is in advance of the 21 days requirement set under the Main Market Listing Requirements by Bursa Malaysia Securities Berhad and beyond the 28 days recommended in the Malaysian Code on Corporate Governance.</p> <p>The additional time allows the shareholders to make necessary arrangements to attend and participate in the AGM either in person or by appointing a proxy. The Company also publishes the notice of AGM in the newspaper.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All the Directors of the Company are normally present during the general meetings in order to engage directly with shareholders and to take up any relevant questions which are related to matters that fall under the purview of the Board Committees or Board, unless unforeseen circumstances preclude them from attending these general meetings.</p> <p>At the last AGM of the Company held on 30 September 2018, majority of the Directors attended the AGM. The shareholders present at the AGM were invited to ask questions about the resolutions being proposed at the AGM before putting them to vote by poll.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The number of shareholders that attends the Annual General Meeting (“AGM”) is considered small, and therefore, the Board is of the view that the technology to support remote participation and voting in absentia may not be cost effective. Shareholders who are unable to attend and participate in the AGM are encouraged to vote via proxy form or appoint a proxy or more to attend, speak and vote at the AGM on their behalf.
		The Company has adopted poll voting for all the proposed resolutions. An independent scrutineer, who is unrelated to the Company is appointed to ensure an accurate recording of votes.
		The AGM is held at a location which is familiar among our shareholders and is easily accessible within the Klang Valley.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

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

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

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