

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0116
COMPANY NAME : FOCUS DYNAMICS GROUP BERHAD
FINANCIAL YEAR : 31 DECEMBER 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Roles and Responsibilities</p> <p>The Board's function, amongst others, is to guide the Group on its short and long term goals, providing advice, stewardship and directions on management and business of the Group.</p> <p>The Board's principal responsibilities include the following:</p> <ul style="list-style-type: none"> • Reviewing and adopting a strategic plan for the Group; • Overseeing the conduct of the Group's business; • Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures; • Establishing a succession planning; • Overseeing the development and implementation of a shareholder communications policy for the Group; and • Reviewing the adequacy and the integrity of the management information and internal control system of the Group. <p>To enable the Board to discharge its role and functions effectively, the Board has established the following committees:</p> <ul style="list-style-type: none"> • Audit Committee ("AC") • Nomination Committee • Remuneration Committee • Risk Management Committee • Corporate Disclosure Committee • Employees Share Option Scheme Committee

The above roles and responsibilities have been formalised in the Board Charter which is uploaded onto the Group's website at www.focusdynamics.com.my

Code of Business Conduct and Ethics

The Group adopted a Code of Business Conduct and Ethics to govern the standards of conduct and ethics expected of Directors and employees. This code which manages:

- Honest, Good Faith And Ethical Conduct
- Corporate Opportunities
- Avoidance of Conflicts of Interest
- Confidentiality

The Code of Business Conduct and Ethics has been communicated to all Directors and employees and can be viewed on the Group's website.

Whistle-Blowing Policy

To maintain the highest standards of ethical conduct, the Group has a formal Whistle-Blowing Policy. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers would not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith.

All concerns raised will be investigated and whistle-blowers can report directly to the Independent Director.

The Whistle-Blowing Policy can be viewed on the Group's website.

Sustainability

The responsibility to promote and embed sustainability in the Group lies with the Board and in this respect, it strives to achieve continuing growth and profitability in a safe, caring and sustainable environment.

The Group's Sustainability Plan can be viewed on the Group's website.

Access to Information and Advice

	<p>All Directors have unrestricted access to Senior Management and the service and advice of the Company Secretary and the internal and external auditors (via the AC) and they as a whole or individually may also seek independent professional advice if necessary, at the Group's expense to enable them to discharge their duties and responsibilities.</p> <p>Non-Executive members of the Board are kept updated on the Group's activities and operations by the Executive Directors on a regular basis and all Directors have the right of access to financial and non-financial reports on the Group's activities.</p>	
<p>Explanation for departure</p>	<p>:</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>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Our Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner. In fulfilling this role, our Chairman is responsible for:</p> <ul style="list-style-type: none"> • leading the Board in setting the values and standards of the Company; • maintaining a relationship of trust with and between the Executive and Non-Executive Directors; • ensuring the provision of accurate, timely and clear information to Directors; • ensuring effective communication with shareholders and relevant stakeholders; • arranging regular evaluation of the performance of the Board, its Committees and individual Directors; • facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors. <p>The position of Chairman of the Board has been vacated since 31 August 2017 and we are currently actively looking for a suitable candidates to fill the vacancy and expected to be filled up by 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Our ex-Chairman was Datuk Manan bin Haji Md. Said while the Executive Director (who also acting as Chief Executive Officer ("CEO") is Mr. Tay Ben Seng, Benson.</p> <p>The roles of the Chairman and CEO are strictly separated to ensure balance of power and authority and to maintain effective supervision and accountability of the Board and Executive Management.</p> <p>As mentioned in Practice 1.2, the position of Chairman of the Board has been vacated since 31 August 2017 and we are currently actively looking for a suitable candidates to fill the vacancy.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board has the service and advice of the Company Secretary. The current Company Secretary is a member of the Malaysian Institute of Chartered Secretaries and Administrators with years of corporate secretarial experience and her tasks include, but are not limited to the following:</p> <ul style="list-style-type: none">• arrange meetings;<ul style="list-style-type: none">a) prepare calendar and agenda;b) ensure quality, quantity and timely dissemination of information;c) preserve confidentiality;d) involve all directors.• assist chairman in the preparation for and conduct of meetings;• attend board, committees and general meetings;• assist chairman in determining the annual board plan and the administration of other strategic issues;• take proper minutes;• ensure compliance of listing and related statutory obligations and procedures are followed and minimize distractions;• convey information between board directors, committee members and management;• advise the board and management on governance issues;• ensure proper upkeep of statutory registers and records;• continuously update the Board on changes to listing rules, other related legislations and regulations.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	

Timeframe	:		
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Intended Outcome

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

Practice 1.5

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

Application :	Applied
Explanation on application of the practice :	<p>To facilitate the Directors' time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board at the beginning of each calendar year to provide ample time for the Directors to plan their attendance.</p> <p>The notices of meetings and agenda are sent to the Directors electronically at least one week in advance and Board meeting papers are delivered to the Directors in hard copies at least three days prior to Board meetings. This enables the Directors to prior peruse the matters to be deliberated upon, and if necessary, further information are provided at the meeting for deliberation and informed decision making.</p> <p>The Board meeting papers include, among others, the following documents or information:</p> <ul style="list-style-type: none">• Quarterly financial report and report on the Company's cash and borrowing positions;• Minutes of meetings of all Committees of the Board;• Current review of the operations of the Company;• Reports on Related Party Transactions and Recurrent Related Party Transactions;• Directors' share-dealings; and• Annual budget or projection. <p>All deliberations, discussions and decisions of the Board meetings were minuted and recorded accordingly. All proceedings of Board meetings were signed by the chairperson of the meeting concerned or the chairperson of the next meeting.</p>
Explanation for departure :	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formally adopted a Board Charter that sets out the respective roles and responsibilities of the Board, Board committees and Executive Management and the standard of conduct expected of individual Directors.</p> <p>The Board Charter clearly sets out the matters reserved for the Board, except where they are expressly delegated to a Board committee, the Chairman, the Chief Executive Officer or a nominated member of Executive Management.</p> <p>The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group. More information on the Board Charter can be found on the Group's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	See explanation on the application of Practice 1.1.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	See explanation on the application of Practice 1.1.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The majority of the Board comprises Independent Directors who bring objective and independence judgements to facilitate a balanced leadership in the Group. There are currently five members on the Board, of which three are Independent Directors.</p> <p>The Board recognises the importance of independence and objectivity in the decision making process. Each of the Independent Directors has declared his personal independence to the Board based on the criteria as set out in the Ace Market Listing Requirements of Bursa Securities Malaysia Berhad.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The tenure of an Independent Director is stipulated in the Board Charter, whereby it shall not exceed a cumulative term limit of nine years.</p> <p>However, an Independent Director may continue to serve on the Board beyond nine years subject to his/her re-designation as a Non-Independent Director.</p> <p>In the event that said Director is to remain designated as an Independent Director, the Board shall, upon the recommendation by the Nomination Committee, justify and obtain shareholders’ approval for the Director concerned to be retained as an Independent Director.</p> <p>As of the date of the forthcoming 15th Annual General Meeting, all the current Independent Directors have been in office for not more than nine years.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In assessing the suitability of any candidate for the directorship, the Board (via the Nomination Committee) will take into consideration the candidate's reputation, educational background, skills, knowledge, expertise, competence and experience that is in line with the Group's business operations, age, time commitment, independence and integrity.</p> <p>As for Senior Management, the Board is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with the appropriate experience and qualifications will be considered during recruitment and promotion.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	Although presently there is no gender diversity policy, the Board opined that given the current state of the Group’s business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold.	
	Nevertheless, the Board is on the outlook for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. No timeframe has been set for the search concerned.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	Although it has been the norm for the Board to rely on existing Directors or Executive Management or major shareholders to recommend candidates for appointment of Directors, the Board do from time to time rely on recommendations from business associates, advisers, consultants, etc. for potential candidates for appointment to the Board. Nevertheless, as of the date of this Report, there is no appointment of additional director since the previous Annual General Meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by En. Abdul Menon bin Arsad @ Abdul Manan bin Arshad, an Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board (via the Nomination Committee ["NC"]) assesses the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director. This assessment which is done annually is facilitated by the Company Secretary and conducted on a peer and self-evaluation basis through questionnaires circulated to the Directors.</p> <p>Completed questionnaires and the results of the evaluations are collated into a report and provided to all Directors and deliberated on by the NC and subsequently by the Board and key issues arising thereon are identified for further action by Executive Management.</p> <p>Based on the evaluation carried out for the financial year ended 31 December 2017, the NC has informed the Board that it was satisfied with the contribution and performance of each individual Director.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board (via the Remuneration Committee ["RC"]) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his/her own remuneration. The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management.</p> <p>The RC's recommended remuneration for Directors and Senior Management is subject to Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Senior Management.</p> <p>In relation to the fees and allowances for Directors, it will be presented at the Annual General Meeting for shareholders' approval.</p> <p>The details of the Group's remuneration policies and practices are included in the Board Charter which is available on the Group's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	The Remuneration Committee's terms of reference are included in the Board Charter which is available on the Group's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The application of this practice is disclosed in the Corporate Governance Overview Statement on page 23 of the Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board has disclosed on a named basis the remuneration of its Executive Directors. It opined that the disclosure of the compensation of key management personnel in Note 33(b)(ii) of the Audited Financial Statements for the financial year ended 31 December 2017 is adequate as it complies with Paragraph 17 of Malaysian Financial Reporting Standard 124 "Related Party Disclosures". This is also in line with the Group's policy of ensuring the privacy of its non-Board employees as well as the competitiveness of the Group in general.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee, Mr. Chang Vun Lung, is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Although none of the current members of the Audit Committee (“AC”) is a former key audit partner who was involved in auditing the Group, the Group does not have the policy as stipulated in Practice 8.2.	
		Nevertheless, the Board shall incorporate the said policy into the terms of reference of the AC in 2018.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee (“AC”) has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors.</p> <p>Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence.</p> <p>This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprised 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee ("AC"), Mr Chang Vun Lung is a practising accountant and currently running his own professional firm specialising in consultancy and corporate services.</p> <p>While Mr Tan Aik Heang is an Associate Member of the Chartered Institute of Management Accountant, having more than fifteen (15) years of experience in the fund management industry and he is currently involved in the business of manpower supply and management.</p> <p>En. Abdul Menon bin Arsad @ Abdul Manan bin Arshad has twenty (20) years of experience serving in the Malaysian Armed Forces and more than eight (8) years working experience in numerous fields, including facility administration and ancillaries, operation management, property and facility management. He retired in 2009 and ventured into his own business.</p> <p>They are all financial literate and the trainings attended by them during the financial year ended 31 December 2017 are disclosed on disclosed in the Corporate Governance Overview Statement on pages 23 to 28 of the Annual Report 2017.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board has established a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The features of the Group's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 33 to 34 of the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group.</p> <p>The internal auditors' independence is maintained by reporting functionally to the Board through the Audit Committee ("AC") and administratively to Executive Management.</p> <p>Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements.</p> <p>In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to an independent professional consulting firm, Total Advisors Sdn. Bhd. (“TASB”) which has six personnel with relevant qualifications and/or experience in internal auditing.</p> <p>TASB’s engagement director in charge of the Group’s internal audit is Ms Christine Looi Pek San, a Professional Member of The Institute of Internal Auditors Malaysia and International Register of Certified Auditors.</p> <p>During the financial year ended 31 December 2017, the internal audit of the Group was carried out in accordance with a risk-based audit plan (prepared in accordance with International Standards for the Professional Practice of Internal Auditing) approved by Audit Committee.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to ensuring that communications to stakeholders is timely and factual and are available on an equal basis. The Board is also aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.</p> <p>The Group has in place procedures to enable it to comply strictly with the disclosure requirements of all applicable legal and regulatory requirements. The Group has formed a Corporate Disclosure Committee to oversee the Group's corporate disclosure practices and ensure implementation and adherence to the Group's Corporate Disclosure Policy ("CDP").</p> <p>The salient term of reference of Corporate Disclosure Committee are:</p> <ol style="list-style-type: none">i) maintain an awareness and understanding of governing disclosure rules and guidelines, including any new or pending developments;ii) ascertain whether corporate developments constitute material information and, if so, ensuring procedures outlined in the CDP are implemented to either ensure full and timely disclosure or keep the information confidential;iii) develop and implement procedures to regularly review, update and correct corporate disclosure information, including information on the Group's website;iv) bring the CDP to the attention of the Company's Directors, Management and staff on a regular basis;v) monitor for compliance with the CDP and undertaking

	<p>reviews of any violations, including assessment and implementation of appropriate consequences and remedial actions; and</p> <p>vi) review the CDP at least once annually and updating as necessary and appropriate to ensure compliance with prevailing rules and guidelines.</p> <p>In this respect, the Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Malaysia Securities Berhad, media releases, quarterly results analyst briefings, AGM, and the Group’s website.</p> <p>Any shareholders’ queries or concerns relating to the Group may be conveyed to our Executive Directors (“ED”) at our principal place of business as detailed below:</p> <p>Lot 12.1, 12th Floor Menara Lien Hoe No. 8, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan Telephone No.: 03-7803 7333 Facsimile No.: 03-7803 7338</p> <p>Our Independent Non-Executive Director is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the ED. He too can be contacted at the above address.</p> <p>The Board is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, our ED will provide a presentation of the Group’s annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders’ active participation, including clarifying and questioning the Group’s strategic direction, business operations, performance and proposed resolutions.</p>
<p>Explanation for departure :</p>	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Not Applicable	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company's Notice of the forthcoming 15th Annual General Meeting shall be given to shareholders at least 28 days prior to the meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	All Directors attended the 14th Annual General Meeting (“AGM”) held on 24 May 2017. Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 15th AGM to address shareholders’ queries at the meeting. The external auditors will also be present at the meeting to answer shareholders’ queries on their audit process and report, the accounting policies adopted by the Group, and their independence.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company has less than 2,000 shareholders and the forthcoming 15th Annual General Meetings to be held in Klang Valley of which is easily accessible to the shareholders.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

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