

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5281
COMPANY NAME : ADVANCECON HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 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.

Application	:	Applied
Explanation on application of the practice	:	<p>Advancecon Holdings Berhad ("Advancecon" or "the Company") is led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse backgrounds. The Directors collectively, set the Company's strategic objectives and ensure that the necessary resources are in place for the Company to meet its objectives and review management performance.</p> <p>The Board is responsible for the oversight and overall management of the Company. The Executive Directors are responsible to manage the day-to-day operations of the business, implementation of Board policies and making strategic decisions for the business while the Independent Non-Executive Directors ("INEDs") contribute their independent judgement to the Board on issues of strategy and performance.</p> <p>The Board is guided by its Board Charter and the Code of Conduct and Ethics ("Code") which clearly sets out the Board's roles and responsibilities and the standard of conduct expected of Directors respectively.</p> <p>Board Committees, which operate within its respective defined Terms of Reference ("TOR"), have been established to assist the Board in the discharge of its specific duties and responsibilities. Hence, the Chairman of the respective Committees report to the Board the outcome of deliberations of each Committee's meetings.</p> <p>In order to ensure the effective discharge of the Board's functions and responsibilities in meeting the objectives of the Company and of the Group, the Board had carried out the following activities during the financial year ended 31 December 2019 ("FY2019"):</p>

	<p>(a) The Chairman ensures that decisions are taken on a sound and well-informed basis, including ensuring that all strategic and critical issues are considered by the Board and that Directors receive the relevant information on a timely basis.</p> <p>(b) The Management's performance under the leadership of the Group Chief Executive Officer ("Group CEO") is monitored through a yearly performance evaluation.</p> <p>(c) The Board through the Nomination Committee ("NC") is responsible to ensure the Board is represented by individuals with an optimal mix of qualifications, skills and experience.</p> <p>(d) The Remuneration Committee ("RC") is responsible to formulate and review the remuneration for Directors and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevailing market practices.</p> <p>(e) Through the Risk Management and Sustainability Committee ("RMSC"), the Board oversees the risk management framework of the Group. The RMSC assists the Board to fulfill its responsibilities with regards to risk governance and risk management in order to manage the overall risks exposure of the Group. The Audit Committee ("AC") reviews the internal controls of the Group to ensure, as far as possible, the protection of its assets and its shareholders' interest.</p> <p>(f) The Board maintains an open communication policy that enables the Board and its Management to communicate effectively with shareholders and members of the general public. Whenever appropriate, the Board or the relevant management personnel will respond to queries from the stakeholders on a timely manner.</p> <p>(g) The Board ensures that financial statements prepared for each financial year have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year. In preparing the financial statements the Board has:</p> <ul style="list-style-type: none"> • Ensure adherence to accounting policies and applied them consistently. • Made judgements and estimates that are reasonable and prudent. • Ensured that all applicable accounting standards have been adhered to.
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	<ul style="list-style-type: none"> Ensured financial statements are prepared on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operations for the foreseeable future. 	
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

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	:	Applied
Explanation on application of the practice	:	<p>Mr Yeoh Chong Keat is the Independent Non-Executive Chairman of the Company. He is responsible for leadership of the Board and presides over the meetings of the Board to ensure that the Board perform its roles and responsibilities effectively at the same time and discharges its fiduciary duties diligently.</p> <p>Other than leading the Board meetings and meetings of shareholders, the Chairman ensures that all relevant issues for the successful stewardship of the Group's business are on the Board agenda to facilitate effective decision making by the Board.</p> <p>During the FY2019, the Chairman had:</p> <ul style="list-style-type: none">(a) Provided leadership for the Board so that the board can perform its roles and responsibilities effectively and setting its agenda. The Chairman is also responsible for creating an environment for open, robust and effective debate. This includes ensuring, via the Company Secretary, that the Directors receive accurate, timely and clear information.(b) Set the Board agenda with Company Secretary and ensured that Board members receive complete and accurate information in a timely manner.(c) Led Board meetings and discussions.(d) Managing boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed.(e) Acting as the conduit between Management and the Board, although all Directors shall have the opportunity to get to know key members of the Management team.(f) Ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

	(g) Led the Board in establishing and monitoring good corporate governance practices in the company.	
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

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	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Group CEO of Advancecon are held by two different individuals. The Independent Non-Executive Chairman, Mr Yeoh Chong Keat leads and manages the Board in its collective oversight of management by focusing on governance and compliance whereas the Group CEO, Dato' Phum Ang Kia manages the business strategy and day-to-day operations of the Company.</p> <p>The roles of Chairman and the Group CEO are segregated and clearly defined by their individual position descriptions. The distinct and separate roles of the Chairman and Group CEO, with their clear division of roles and responsibilities ensures a balance of power and authority, such that no one individual has unfettered decision-making powers.</p> <p>The roles of the Chairman and Group CEO are defined in the Board Charter which is available on the Company's website at www.advancecon.com.my.</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

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 is assisted by two Company Secretaries who are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 ("the Act"). One of them is a member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) whilst the other is a Licensed Company Secretary (LS).</p> <p>During the FY2019, the Company Secretaries had performed the following tasks:</p> <ul style="list-style-type: none">(a) Supported the Board and played an important role to facilitate the overall compliance with the Act, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and other relevant laws and regulations by updating the Board at the Board meetings.(b) Assisted the Board and Board Committees to function effectively and in accordance with their respective TOR and best practices and ensuring adherence to the existing Board policies and procedures.(c) Attended Board Meetings and ensured the proper conduct of the meetings. Deliberations and decisions were accurately minuted and kept in the minutes books.(d) Managed processes pertaining to the annual shareholders meeting.(e) Served as a focal point for stakeholders' communication and engagement on corporate governance issues. <p>The roles and responsibilities of the Company Secretaries are set out in the Company's Board Charter, which is available on the Company's website at www.advancecon.com.my.</p>

	The Company Secretaries had attended the necessary training programmes, conferences, seminars and/or forums organised by the Companies Commission of Malaysia (“CCM”), MAICSA, the Securities Commission Malaysia (“SC”) and Bursa Securities as well as in house training so as to keep themselves abreast with the latest changes in laws and regulatory requirements that are relevant to their profession and to provide the necessary advisory role to 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	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

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>Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven days before the date of the meeting.</p> <p>This is to ensure that the Board papers comprising issues to be discussed, supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek for any clarification or further explanation from Management and the Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.</p> <p>The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making.</p> <p>Senior Management and/or external consultants may be invited to attend Board Meetings to advise and/or furnish the Board with relevant information.</p> <p>To facilitate smooth operation of the businesses of the Group, follow up actions requested by the Board or Board Committees pertaining to the decisions of the Board or the Board Committees, were addressed by the Management within the timeline given.</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 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 is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves as a main source of reference and also provides insights to prospective Board members and Senior Management. It clearly explains the relationship and interaction between the Board, Board Committees, Chairman and Executive Directors. Hence, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.</p> <p>The Board Charter was reviewed by the Board on 27 February 2020. The current Board Charter is accessible for reference on the Company's website at www.advancecon.com.my.</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	:	<p>The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code as a guidance to be followed by Directors and all employees with regards to the Group's standard of integrity and rules of conduct to be observed in the performance of work and business practices.</p> <p>The core sections of the Code covered the following principles:</p> <ul style="list-style-type: none">• Act with Integrity and Ethics• Protect Advancecon Assets and Intellectual Property• Comply with Laws and Regulations• Working with One Another <p>The Board will periodically review the Code when necessary to ensure it remains relevant and appropriate. The details of the Code are available for reference at the Company's website at www.advancecon.com.my.</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 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Whistle Blowing Policy to provide an avenue to facilitate employees of the Group or members of the public to raise any concerns or disclose any improper conduct within the Group and to take appropriate action to resolve it effectively.</p> <p>Whistle-blowers can report any improper conduct by email to the Audit Committee Chairman, En Mohd Zaky bin Othman at mohd_zaky@advancecon.com.my or post it to Advancecon's office. The Whistleblowing Policy is available on the Company's website at www.advancecon.com.my.</p> <p>On 20 May 2020, the Board adopted the Anti-Bribery and Corruption Policy which governs the prevention of corruption and unethical practices within the Group. The Anti-Bribery and Corruption Policy is available on the Company's website at www.advancecon.com.my.</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 4.1

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

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>The current Board comprises of seven members with three being INED.</p> <table border="1"> <thead> <tr> <th>Designation</th><th>Number of Directors</th><th>Percentage (%)</th></tr> </thead> <tbody> <tr> <td>Executive Directors</td><td>4</td><td>57.14</td></tr> <tr> <td>Independent and Non-Executive Directors</td><td>3</td><td>42.86</td></tr> <tr> <td>Total</td><td>7</td><td>100.00</td></tr> </tbody> </table> <p>The Board is in compliance with Paragraph 15.02 of the MMLR, which requires that at least two Directors or one-third of the Board of the Company, whichever is the higher, are INED.</p> <p>The Board is mindful that it does not comprise at least half of INED as it is of the view that the present INED, with the breadth of professional background and experience, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinions and viewpoints. The Board is satisfied that the Independent Directors are independent of management and free from management and/or any business or other relationship which could interfere with the exercise of independent judgement, objectivity and the ability to act in the best interest of the Company.</p> <p>The current composition of the Board Committees (with the exception of the RMSC) however is made up of only INED. This affirms the Board's commitment towards independence in Board leadership and provides strong check and balance in the Board's governance function. Therefore, the lack of the necessary number of INED has not jeopardised the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group.</p>	Designation	Number of Directors	Percentage (%)	Executive Directors	4	57.14	Independent and Non-Executive Directors	3	42.86	Total	7	100.00
Designation	Number of Directors	Percentage (%)												
Executive Directors	4	57.14												
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Total	7	100.00												
<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 4.2

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	During the FY2019, none of the Independent Directors have served as Independent Director for a cumulative term of nine years or more.	
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

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>The Board recognises that having a range of different skills, backgrounds and experiences is essential to ensure effective decision making and governance in the best interests of the Company.</p> <p>The normal selection criteria of a Director are based on an effective blend of competencies, skills, experience and knowledge so as to strengthen the Board.</p> <p>The NC is responsible for identifying, assessing and recommending the right candidates to the Board as well as reviewing the composition and performance of the Board. In making its recommendations, the NC will consider, among others, the mix of skills, knowledge, experience, diversity (including gender diversity), background, integrity, competence, time commitment and independence in order to meet the strategic objectives and business requirements of the Group.</p> <p>During the FY2019, the diversity for the Board and Senior Management are as follows:</p> <p><u>Board of Directors</u> Gender: Male (7); Female (0) Age: 40-49 (1); 50-59 (2); 60 & above (4) Ethnicity: Malay (2); Chinese (5); Indian (0)</p> <p><u>Senior Management</u> Gender: Male (3); Female (0) Age: 30-39 (1); 40-49 (2); 50-59 (0); 60 & above (0) Ethnicity: Malay (0); Chinese (3); Indian (0)</p> <p>Having assessed the size, composition and diversity of the Board annually, the NC and the Board opined that the existing Board has the requisite competencies and capacity to effectively discharge its functions and responsibilities.</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	:	The Board is supportive of the recommendation of Malaysian Code on Corporate Governance (“MCCG”) to the establishment of boardroom and workforce gender diversity policy. The Board does not have specific policies on setting target for the appointment of female Director to the Board.	
		The NC will evaluate, assess and recommend the right candidate to the Board based on the candidates’ competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group. Equal opportunity is given and the Board does not practise discrimination of any form, whether based on age, gender, race and religion throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors.	
		Currently, our Board members comprise of all male Directors. However, to be in line with the country’s aspirational target of 30% representation of women on Board, the Board may consider appointing female Directors in the future to bring about gender diversity.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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	:	Departure
Explanation on application of the practice	:	<p>The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the NC. The Board relies on the existing network and referrals from existing board members, senior management and major shareholders as primary means to source for new Directors as they represent a tried and tested method to sourcing high-calibre directors with a sound understanding of the business.</p> <p>The Directors appointment process is carried out based on methodical and robust process undertaken by the NC. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in Paragraph 2.20A of MMLR.</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 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NC is made up entirely of INEDs in compliance with paragraph 15.08A(1) of the MMLR.</p> <p>The NC is chaired by Mr Yeoh Chong Keat, who is the Independent Non-Executive Chairman of the Group.</p> <p>The composition of the NC can be found on Page 4 of the Annual Report 2019 ("AR") under Corporate Information.</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

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>During the FY2019, the NC conducted a formal and objective internal annual assessment of the Board performance as a whole, the Board Committees and individual Directors, based on self and peer assessment which was undertaken internally. The assessment covers the size and composition of the Board as well as skill mix, industry experience, roles and responsibilities, and effectiveness of the Board, Board Committees and individual Directors based on a set of questionnaires and rating system.</p> <p>Below are the criteria used to assess Board, Board Committees and individual Directors respectively during the financial year:</p> <p>(a) Directors' self-assessment</p> <ul style="list-style-type: none">• knowledge about the Group's vision and mission;• individual roles, responsibilities and functions including but not limited to participation / deliberation at Board meetings, knowledge about the Group's financial status / performance and the state of affairs of the Group;• competency and contribution. <p>(b) Board and Board Committees' assessment</p> <ul style="list-style-type: none">• Board mix authority and composition to function effectively;• quality of information and decision making process with regards to financial performance and audit, risk management, internal control and communication with stakeholders. <p>The NC has adopted the same criteria of "Independence" used in the definition of "independent directors" prescribed under the MMLR and MCGG.</p>

	<p>The results of the assessments were compiled by the Company Secretary for deliberation and recommendation at the NC meeting and the NC will subsequently table the matter to the Board for their consideration.</p> <p>The Board had undertaken the annual evaluation of themselves, its committees and each individual director for FY2019. The Board was satisfied with the outcome of the evaluation and was of the view that the internal evaluation was adequate to determine the overall effectiveness of the Board and individual Directors.</p> <p>The Board recognises that it is important that all Directors should be able to dedicate sufficient time to the Company to discharge their responsibilities effectively.</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

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 RC is authorised by the Board to establish a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors.</p> <p>The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as Directors.</p> <p>The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for the Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.</p> <p>The determination of the remuneration for INED is a matter of the Board as a whole. The level of remuneration for INED reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular INED concerned.</p> <p>The remuneration package of INED will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting ("AGM") based on recommendations of the Board.</p>

	The remuneration components of key Senior Management shall consist of basic salary, performance based bonus, benefits-in-kind and other incentives (where applicable). The remuneration of key Senior Management is determined at a level which enables the Company to attract, develop and retain high performing and talented individual with the relevant experience, level of expertise and skills.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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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	:	<p>In line with the best practices of MCCG, the Board has set up a RC which comprises exclusively of INEDs in order to assist the Board for determining the remuneration of Directors' and Senior Management.</p> <p>Amongst the RC's functions and duties outlined in its TOR are:</p> <ul style="list-style-type: none">(a) To provide assistance and implement the Company's policies and procedures on remuneration including reviewing and recommending matters relating to remuneration and key performance indicators of the Directors and Senior Management.(b) To ensure the Group's remuneration package and key performance indicators are appropriately established after taking into account the demands, complexities and performance of the Company as well as skills and experience required and are aligned with our Group's vision, values and business objectives, market trends and information sources on the rates of salary for similar jobs in selected group of comparable companies.(c) To ensure a fair differential between the remuneration of Directors and Senior Management and other levels of management is maintained.(d) To review and determine the benefits in kind for the Directors and Senior Management.(e) To provide assistance to the Board on matters relating to, amongst others, and ensure alignment of management grievances pertaining to compensation, compensation strategy, management development and other compensation

	arrangements in line with market practice.	
	<p>The present members of the RC are as follows:</p> <ul style="list-style-type: none">• Fathi Ridzuan bin Ahmad Fauzi, Chairman (INED)• Yeoh Chong Keat, Member (Independent Non-Executive Chairman)• Mohd Zaky bin Othman, Member (INED) <p>The TOR of the RC can be viewed at the Company’s website at www.advancecon.com.my.</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

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 details of the Directors’ Remuneration on a named basis and paid by the Company and its subsidiaries (including the components of directors’ fees, salary, bonus, benefits in-kind and other emoluments) during the FY2019 were disclosed in the Corporate Governance (“CG”) Overview Statement of the Company’s Annual Report.	
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	:	<p>Disclosure on the remuneration of the top five Senior Management in the bands of RM50,000 is not provided in the CG Overview Statement of the Company's Annual Report.</p> <p>However, the remuneration of the Executive Directors have been tabled in the CG Overview Statement of the Annual Report.</p> <p>At this juncture, the Board is of the opinion that the disclosure on the remuneration of the top five Senior Management on a named basis would not be in the best interest of the Group due to confidentiality and sensitivity concerns as well as the issue of competition and staff poaching.</p> <p>The Board will ensure that the remuneration of the Senior Management commensurate with their duties and responsibilities and the performance of the Company.</p> <p>Based on the above rationale, the Company is not in favour of disclosing the remuneration of the top five Senior Management on a named basis</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

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 roles of the Chairman of the Board and the Chairman of the AC are assumed by different Directors. The Chairman of the Board is Mr Yeoh Chong Keat while the Chairman of the AC is En Mohd Zaky Bin Othman.	
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	:	Applied	
Explanation on application of the practice	:	None of the members of the AC was a former key audit partner during FY2019.	
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 8.3

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 role of the AC in relation to the external auditors, Messrs Crowe Malaysia PLT (<i>Formerly known as Crowe Horwath</i>) ("EA") is found in the AC Report included in the Annual Report. Management maintains a transparent working relationship with EA in seeking professional advice and ensuring compliance with the applicable accounting standards.</p> <p>The AC will meet with EA without the presence of Management to ensure that the independence and objectivity of EA are not compromised and matters of concerns expressed by the AC will be raised at that meeting.</p> <p>In November 2019, EA presented the Audit Planning Memorandum ("APM") to the AC and they have given written assurance and confirmation 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>Prior to the re-appointment of EA for the forthcoming AGM, the AC had undertaken an annual assessment of the quality of audit which encompassed the performance of EA, the quality of their communications with the AC and the Company and their independence, objectivity and professionalism. After the review, the AC was satisfied with the suitability of EA based on their quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied that the provision of the non-audit services provided by EA to the Company for the FY2019 did not in any way impair their objectivity and independence as external auditors of the Company.</p> <p>Having taken into consideration of the above, the Board, through the AC opined that the EA are independent and suitably qualified to act.</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	:	<p>The AC consists of three members, who are all Independent Non-Executive Directors ("INED").</p> <p>The members of the AC are as follows:</p> <ul style="list-style-type: none">• Mohd Zaky Bin Othman, Chairman (INED)• Yeoh Chong Keat, Member (INED)• Fathi Ridzuan Bin Ahmad Fauzi, Member (INED) <p>All the three INED have satisfied the independence test based on the criteria set out in the MMLR.</p>

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>Members of the AC have diverse background and collectively, possess a wide range of necessary skills to discharge their duties to be able to understand matters under the purview of the AC including the financial reporting process.</p> <p>During the year, members of the AC were guided on the key audit matters, significant audit issues highlighted in the Audit Planning Memorandum and briefed by the external auditors on financial reporting and other updates.</p> <p>The Quarterly Interim Financial Reports are briefed to the members of the AC, discussed and deliberated amongst the members before the said Report was recommended to be tabled to the Board for approval.</p> <p>The AC members had attended training programmes to keep abreast of relevant industry issues, market development and trends including accounting and auditing standards to enable them to sustain their active participation in the functions of the AC.</p> <p>Details of the training and seminars attended by the Directors during FY2019 are set out in the CG Overview Statement in the Annual Report of the Company.</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 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	:	<p>The Board recognises the importance of a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board acknowledges its primary responsibility to ensure that risks in the Group are identified, measured and managed with appropriate system of risk management and internal controls, and to ensure that the effectiveness, adequacy and integrity of the risk management and internal control systems are reviewed on an on-going basis.</p> <p>The Group has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of business objectives for the year and up to the date of this report. The top risks are reported to the Board on regular basis for their deliberation.</p> <p>The RMSC continuously evaluates and monitors the significant risks relevant to the Group, appraises and assesses the efficacy of controls implemented to mitigate those risks through a formalised monitoring and reporting process. Reviews are conducted by the RMSC on a regular basis with additional reviews as and when required.</p> <p>Internal control and risk-related matters which require the attention of the Board were recommended by the RMSC to the Board for its deliberation and approval and matters or decisions made within the RMSC's purview were escalated to the Board for its notation.</p> <p>An overview of the state of risk management and internal control within the Group governed by the Risk Management Framework can be found on the Statement on Risk Management and Internal Control ("SORMIC") of the Annual Report.</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 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 and internal control framework, and the adequacy and effectiveness of this framework is disclosed in the SORMIC and can be found on Pages 32 to 34 of the Annual Report.	
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 9.3 - 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	:	Departure
Explanation on adoption of the practice	:	<p>The Risk Management Committee was established on 29 August 2017. Subsequently, on 28 November 2017, the Board had renamed it to Risk Management and Sustainability Committee ("RMSC"), however it comprises of 1 INED and 2 EDs. The composition is as follows:</p> <p>Chairman - Fathi Ridzuan Bin Ahmad Fauzi (<i>INED</i>)</p> <p>Member - Ir. Yeo An Thai (ED)</p> <p>Member - Tung Kai Hung (ED)</p> <p>The RMSC is entrusted with the responsibility of overseeing risk management and sustainability matters.</p>

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 Board had outsourced the Internal Audit Function to an independent professional service firm, namely, Sterling Business Alignment Consulting Sdn Bhd which provides an independent assurance to the Board on the efficiency, effectiveness and adequacy of the Group's system of internal controls.</p> <p>The internal audit functions are carried out in accordance to the risk based internal audit plan approved by the AC. The internal audit plan is developed taking into consideration the Group's risk profiles and concerns of the Management and the Board. The internal auditor reports directly to the AC. Further details of the internal audit activities are set out in the AC Report and the SORMIC of the Annual Report.</p> <p>The appointment of the internal auditor was reviewed by the AC annually and endorsed by the Board. The internal auditors have unrestricted access to the AC, Board and management.</p> <p>The internal audit personnel constantly keep themselves abreast with developments in the profession, relevant industry and regulations through attendance at conferences/trainings.</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>In accordance with the Internal Audit Charter (Section 5. Independence & Objectivity), internal Auditors are required to confirm to the AC, at least annually, the organisational independence of the internal audit activity.</p> <p>Majority of Internal Auditors under the external service provider are members of The Institute of Internal Auditors Malaysia.</p> <p>During the year, the internal audit function was carried out in accordance with the Committee of Sponsoring Organisations (“COSO”) model.</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>Advancecon ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosures. Advancecon also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Advancecon's website and engagement through the investor relations ("IR") briefings.</p> <p>The Board ensures the Company announces its quarterly results on timely basis to the shareholders and also make necessary announcement to its stakeholders.</p> <p>Advancecon via its website, includes an IR section which provides all relevant information on the Company and is accessible to the public. This IR section enhances the IR function by including all announcements made by Advancecon.</p> <p>The IR function is established to enable continuous communication between the Company and its stakeholders. The stakeholders are encouraged to channel their enquiries to the Group CFO whose name, contact number and e-mail address i.e. investors@advancecon.com.my is provided on Advancecon'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

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:		
		Not applicable as the Company is not a Large Company as defined by MCCG	
<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	:	
Explanation for departure	:	The 23rd AGM of the Company is scheduled on 30 July 2020 and the Notice for the 23 rd AGM has been despatched to shareholders of the Company on 30 June 2020 which is more than 28 days prior to the meeting.
<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	:	<p>All the Board members attended the 22nd AGM of the Company held on 20 June 2019.</p> <p>The Chairman presides over the AGM and where appropriate, directs shareholders’ queries to the Chairman of AC, NC and RC respectively during the meeting.</p> <p>The Company uploaded the outcome of AGM on the Company’s website as soon as practicable after the conclusion of the said meeting.</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

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	:	<p>The location of the General Meetings has always been held at strategic location at Petaling Jaya, which is easily accessible by the shareholders.</p> <p>The Company does not have a large number of shareholders and as such does not consider leveraging on the technology to facilitate voting in absentia and remote shareholders participation at General Meetings.</p> <p>The Board is guided by the provision of the Constitution to facilitate proxy voting at all general meetings, which allows shareholders to cast their votes if they are unable to attend the relevant general meetings.</p> <p>Notice of general meeting and circular to shareholders will contain the relevant information pertaining to the resolutions to be tabled and shareholders may contact the Company for clarification by contacting the personnel whose email and telephone number are published at the Company's website.</p>
<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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