

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5281
COMPANY NAME : ADVANCECON HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 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>The Board is responsible for the oversight and overall management of the Company.</p> <p>In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has delegated specific responsibilities to the following Committees. The Board Committees comprise four (4) Committees (i.e. Audit Committee ("AC"), Remuneration Committee ("RC"), Nomination Committee ("NC") and Risk Management and Sustainability Committee ("RMSC"))</p> <ul style="list-style-type: none">• The Chairman ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.• The management's performance under the leadership of the Group Chief Executive Officer ("Group CEO") is monitored by the Board through a progress report which is tabled to the Board. The relevant members of the management were in attendance at Board meetings to provide clarification on the queries and issues raised by the Board.• The Board through the NC is responsible to ensure the Board is comprised of individuals with an optimal mix of qualifications, skills and experience. The procedure for the appointment of new Directors is rigorous and transparent.• The Board has in place a Remuneration Policy for Directors and Senior Management which is clear and transparent. In this regard, the RC is responsible to formulate and review the remuneration for the Independent Non-Executive Directors and Senior Management of the Company to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices.

	<ul style="list-style-type: none"> • Through the RMSC, the Board oversees the risk management framework of the Group. The RMSC assists the Board to fulfill its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group. The AC reviews the internal controls of the Group to ensure, as far as possible, the protection of its assets and its shareholders' interest. • The Company continuously engages and communicates with its shareholders with regards to its strategy and 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

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 Chairman/ Independent Non-Executive Director of the Company. The Chairman is responsible for leadership of the Board and presides over the meetings of the Board to ensure that the Board performs its responsibilities effectively and discharge its fiduciary duties diligently.</p> <p>Other than leading the Board meetings and discussion and meeting 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>The key roles and responsibilities of the Chairman as set out in the Board Charter of the Company include:</p> <ul style="list-style-type: none">• Providing leadership for the Board so that the board can perform its responsibilities effectively;• Setting the Board agenda and ensuring that Board Members receive complete and accurate information in a timely manner;• Leading board meetings and discussions;• Encouraging active participation and allowing dissenting views to be freely expressed;• Managing the interface between Board and Management;• Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and• Leading 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 the Chairman and the Group CEO of Advancecon are held by two different individuals. Mr Yeoh Chong Keat is the Chairman/ Independent Non-Executive Director while Dato' Phum Ang Kia is the Group CEO.</p> <p>The roles of Chairman and the Group CEO are segregated and clearly defined by their individual position descriptions. 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 Company Secretaries, Mr Tan Tong Lang and Mr Chong Voon Wah, appointed by the Group since 2014, are the qualified to act as company secretary under Section 235(2) of the Companies Act, 2016. Both are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries is to provide and assist the Board, Board Committee or Director individually on matters including but not limited to board procedures, rules and Articles of the Company, legislations, regulations, codes, guidelines and operations matter within the Group. The Board also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements and the resultant implications to the Company and Directors in relations to their duties and responsibilities.</p> <p>The Company Secretaries shall keep himself/herself abreast with the development and new changes in relation to any legislation and regulations concerning the corporate administration and to highlight the same to the Board of Directors accordingly.</p> <p>The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.</p> <p>The Board recognises that the Company Secretaries is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.</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 1.5

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 (7) days before the date of the meeting.</p> <p>This is to ensure that the Board papers comprising of due notice of 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 paper and seek for any clarification as and when they may need advisers or further explanation from management and 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 and meaningful discharge of its duties.</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

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>As part of governance process, the Board adopted the Board Charter.</p> <p>This Board Charter sets out the composition, balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.</p> <p>The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met.</p> <p>A copy of the Board Charter 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

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 of Conduct and Ethics ("Code") as a guidance to be followed by Directors, management and 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 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 avenue to facilitate employees of the Group or members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve effectively.</p> <p>A copy of the Whistle Blowing 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 majority independent directors.

Application :	Departure												
Explanation on application of the practice :													
Explanation for departure :	<p>In accordance to the Company's Memorandum and Articles of Association, the number of Directors shall not be less than two (2) and not more than nine (9). As at the date of this Corporate Governance Report, the Board consist of seven (7) members; comprising three (3) Independent Non-Executive Directors and four (4) Executive Directors.</p> <p>The Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Directors.</p> <p>The current Board composition are as follows:</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 mindful that the Board does not comprise of at least half of Independent Directors. The Board is of the view that with Mr Yeoh Chong Keat's qualifications experience and extensive experience as a Chartered Accounts; and Mohd Zaky bin Othman and Fathi Ridzuan bin Ahmad Fauzi's background, areas of expertise, vast experience in various industries, the Board is able to exercise objective judgement on business and corporate affairs since their presence on the Board can provide an effective check and balance, unbiased and independent view, advice and judgement.</p> <p>Therefore, the lack of at least half of Independent Directors in the Board does not jeopardise independent of Board deliberations and all decisions are made in the best interest of the Company.</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											
Independent and Non-Executive Directors	3	42.86											
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 - Step Up 4.3 adopted	
Explanation on application of the practice	:	During the FY2017, no Independent Directors had served on the Board for more than nine (9) years from the date of their first appointments.	
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 4.3- 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>Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment.</p> <p>The Nomination Committee is responsible for recommending to the Board the appointment of new directors by evaluating and assessing the suitability of candidates for board membership.</p> <p>In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity).</p> <p>No new Director was appointed in FY2017.</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 4.5

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	:	<p>The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of Malaysian Code on Corporate Governance ("MCCG") to the establishment of boardroom and workforce gender diversity policy.</p> <p>The Company has adopted a Gender Diversity Policy for the Group to achieve improved employment and career development opportunities for women.</p> <p>However, the Board currently does not have any female Director in line with the country's aspiration target of 30% representation of women on boards, the Board may consider appointing female director onto the Board in future to bring about a more diverse perspective.</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

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	:	
Explanation for departure	:	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 of sourcing high-calibre directors with a sound understanding of the business.
	:	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 Main Market Listing Requirements of Bursa Securities.
<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 present composition of the Nomination Committee (“NC”) consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors. The NC is chaired by Mr Yeoh Chong Keat who is Independent Non-Executive Director of 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

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 NC reviews annually the required mix of skills and experience of the Board, including core competencies which non-executive directors should bring to the Board and assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director.</p> <p>The evaluation process is led by the Chairman of the NC and supported by the Company Secretary annually. The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board committees. The assessment by all Directors are summarised and disclosed at the NC's meeting and reported at a Board meeting by the Chairman of the NC.</p> <p>For FY2017, the NC has reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each director and effectiveness of the Board and Board Committees and also evaluated the level of independence of the Directors.</p> <p>Based on the assessment, the NC was satisfied with the existing Board composition in terms of ethnicity, age, and experience was of the view that all the Directors and Board Committees of the Company have discharged their responsibilities in a commendable manner and have performed competently and effectively.</p> <p>The assessment results indicated that there was a good balance in the composition of the Board. The Directors possessed the expertise and experience in a wide range of fields and areas from their diverse backgrounds and specialisations to assist the Board of Directors to lead and contribute positively and effectively to the Group.</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

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 Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive 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's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.</p> <p>The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee 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 Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned.</p> <p>The remuneration package of Non-Executive Directors 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>
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	:	<p>In line with the best practices of MCCG, the Board has set up a Remuneration Committee which comprises exclusively of Independent Non-Executive Directors in order to assist the Board for determining the Directors' remuneration.</p> <p>The present members of the Remuneration Committee are as follows:-</p> <p>Chairman: Fathi Ridzuan bin Ahmad Fauzi, Independent Non-Executive Director</p> <p>Member: Yeoh Chong Keat Member, Chairman/ Independent Non-Executive Director</p> <p>Member: Mohd Zaky bin Othman, Independent Non-Executive Director</p> <p>The Terms of Reference of the Remuneration Committee can be viewed 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

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	:	Detailed disclosure on named basis for the remuneration of individual directors detailing fees, salary, and other emoluments are stated in page 25 of the Corporate Governance Overview Statement in the 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>While the Company notes the need for corporate transparency in the remuneration of its key senior management executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the competitive human resources environment for personnel with the requisite knowledge expertise and experience in the Company's business activities, where poaching has become common place.</p> <p>Hence, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top three (3) senior management personnel who are not Directors.</p> <p>To provide some insight on the level of remuneration paid to the senior management team, the Company has taken the step to disclose the aggregate total remuneration paid to the members of the top three (3) key senior management personnel. The aggregate remuneration for these members of the key senior management team for the FY 2017 was approximately RM 1,183,289.</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 Chairman of the AC is Mohd Zaky bin Othman who 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	:	Applied	
Explanation on application of the practice	:	None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. The Terms of Reference of the Audit Committee has been amended to reflect the requirements that a former key audit partner must observed a cooling-off period of at least two (2) years before being appointed as a member of the AC.	
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>In the fourth quarter of 2017, the External Auditors, Messrs. Crowe Horwath ("CH") presented for the AC's review its 2017 Audit Plan which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters with reference to the International Standard on Auditing 701. This formed part of the AC's assessment of the suitability, objectivity and independence of CH on an annual basis. Based on the outcome of its assessment, the AC decides whether or not to recommend to the Board for the shareholders' approval to be sought on the re-appointment of external auditors at the forthcoming Twenty-First (21st) AGM.</p> <p>The AC had in April 2018 undertaken an annual assessment of the quality of audit which encompassed the performance of CH, the quality of CH's communications with the AC and Advancecon, and CH's independence, objectivity and professionalism.</p> <p>In April 2018, CH in its presentation of External Auditors' report to the AC provided a written assurance that they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the Audited Financial Statements of the Group for the financial year 2017.</p> <p>The AC was satisfied with the suitability of CH based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provision of the non-audit services by CH to the Company for the financial year 2017 did not in any way impair their objectivity and independence as external auditors of Advancecon.</p> <p>Having regard to the outcome of the annual assessment of external auditors, the Board had in April 2018 approved the AC's recommendation for the shareholders' approval to be sought at the Twenty First (21st) AGM on the appointment of CH as external auditors of the Company for the financial year 2018.</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 AC comprises wholly of Independent Non-Executive Directors as provided in the AC's Terms of Reference.

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 and members of the AC are financially literate and have carried out their duties and responsibilities in accordance with the TOR of the AC.</p> <p>The Board is of the opinion that the AC has performed its functions satisfactorily as the Chairman and members have the required knowledge, experience and skills to understand and effectively deliberate on matters under the purview of the AC including the financial reporting process.</p> <p>The AC assists the Board in overseeing the financial reporting process and ensuring that the results of the Company's operations are fairly presented in its financial statements.</p> <p>The AC members have 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>
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	:	The Board had established a risk management and internal control framework to manage the risks across Advancecon Group, safeguard shareholders' interests and Advancecon Group's assets. RMSC was set up to identify significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of Advancecon Group.
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 Statement of Risk Management and Internal Control was disclosed in Advancecon Holdings Berhad's 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 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 effectiveness and adequacy of the Group's system of internal control. Details of the internal audit functions are set out in the Statement on Risk Management and Internal Control and Audit Committee Report.</p> <p>To support the AC in discharging their responsibilities, the external service provider of the Company reports directly to the AC.</p> <p>The appointment of the external service provider was reviewed by the AC and endorsed by the Board. The external service provider has 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 disclosure. 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 function.</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 Investor Relations ("IR") which provides all relevant information on the Company, and it is accessible to the public. This Corporate 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 concerns to the Group CFO whose name, contact number and e-mail address - investors@advancecon.com.my is provided on Advancecon's website.</p> <p>To facilitate the stakeholders' understanding of the Company with respect to the business of the Company and its policies on governance, the Company has placed various documents pertaining to the corporate governance, policies, Board Charter, Terms of References as well as other corporate information on its Corporate Governance section under IR, for easy reference.</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	:		
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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 the 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	:	The Notice for the Twenty-First (21 st) AGM held on 27 June 2018 was despatched to the shareholders more than 28 days before the AGM. In addition, the Notice of the AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities.	
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	:	At the Twentieth (20 th) AGM, all Directors were present at the meeting. Management and External Auditors were also present to answer any questions.	
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 does not have a large number of shareholders. Therefore, the Company does not consider leveraging on the technology to facilitate voting in absentia and remote shareholders’ participation at general meeting.
	:	The Company’s AGM is to be held in one venue within Klang Valley, not in remote location and easily accessible by most of the shareholders. Alternatively, shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote on his/her instead at the AGM.
<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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

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