

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6068
COMPANY NAME : PCCS GROUP BERHAD
FINANCIAL YEAR : March 31, 2020

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 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.

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 leadership, oversight and the long-term success of the Group. The Board has delegated certain responsibilities to other Board Committees, which operate within clearly defined terms of reference ("TOR"). Standing committees of the Board include the Audit Committee, Nomination Committee and Remuneration Committee. The Board receives reports at the Board Meeting from the Chairman of each committee on current activities and it is the general policy of the Company that all major decisions be considered by the Board as whole.</p> <p>To ensure the effective discharge of functions and duties, the primary responsibilities of the Board include (but are not limited to) the following:-</p> <p>(a) review and adoption of a strategic plan</p> <p>The Board plays an active role in reviewing the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to the Management.</p> <p>For the financial year ended 31 March 2020 ("FYE 2020"), the Board has discharged of the following principal duties and responsibilities on the affairs of the Company and its subsidiary companies of the Group:-</p> <p>(i) <u>Proposed Establishment of an Employees Share Option Scheme ("ESOS")</u></p> <p>The Board proposed to seek the approval of the shareholders at the Extraordinary General Meeting held on 26 August 2019, to undertake the Proposed ESOS of up to 15% of the total number of issued ordinary shares of the Company (excluding treasury shares, if any) at any point in time over the duration</p>

of the ESOS for the eligible directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries).

(ii) Proposed Share Buy-back

The Board proposed to seek the approval of the shareholders at the Extraordinary General Meeting held on 26 August 2019, to seek the approval of the shareholders, for the authority to purchase its own shares of up to 10% of the Company's prevailing issued shares at any time.

(iii) Proposed Adoption of Constitution

The Board proposed to seek the approval of shareholders at the Twenty-Fifth Annual General Meeting held on 26 August 2019, for the authority to adopt the New Constitution of the Company.

(iv) Strategic Planning – New Investment

A wholly-owned subsidiary of the Company, PCCS Garments (Suzhou) Ltd, had on 3 September 2020, entered into a Share Sale Agreement with Mr. Shi XiaoQun for the purpose of acquisition of 51% of the equity interest of Shandong Yisite Garment Ltd ("**Shandong Ltd**") with a registered capital of RMB5,000,000/- for total consideration of RMB2,550,000/-. Upon completion of the Acquisition, Shandong Ltd will become a 51%-owned sub-subsidiary of PCCS and Shandong Ltd had on 4 September 2019 changed its name to PCCS Garments (Shandong) Ltd ("**SDL**"). The principal activity of SDL is manufacturing and sale of apparels.

(v) Strategic Planning – Purchase of Property

A wholly-owned sub-subsidiary of the Company, Wan He Da Manufacturing Company Limited ("**WHD**"), had on 10 September 2019, entered into a Sale and Purchase Agreement with Madam Gu QiFang for the proposed acquisition of buildings and infrastructure erected on part of the land held under title deed no. 011654 and located at National Road 4, Phum Ang, Sangkat Chaom Chau, Khan Pou Senchey, Phnom Penh, Cambodia, measuring a total area of 20,923.38 square meters for a total cash consideration of USD2,500,000/-. WHD will make use of the buildings as factory after the proposed acquisition.

(vi) Strategic Planning - ESOS

The Company has on 16 December 2019, offered ESOS options to the eligible Directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries) to subscribe for

the new ordinary shares in the Company under ESOS. The exercise price of ESOS options offered is RM0.370 and the number of ESOS options offered are 7,728,400 units.

(vii) Strategic Planning – New Investment

The Company had on 26 June 2020 incorporated a wholly-owned subsidiary company in Singapore, under the name of La Prima Medicare Pte. Ltd. ("**LPM**"), with a registered capital of SGD1/- comprising one (1) share at SGD1/- per share. The principal activity of LPM is wholesale of medical, professional, scientific and precision equipment.

(b) establishing policies for strengthening the performance of the Company

The Board had established the following policies, serves a guide to strengthen the governance of the Company:-

- Board Charter;
- Code of Conduct and Ethics;
- Internal Audit Charter;
- Corporate Disclosure Policy;
- Director Remuneration Policy;
- Succession Planning Policy;
- Whistle Blowing Policy; and
- Anti-Bribery and Corruption Policy.

The Board had on 1 June 2020 established the Anti-Bribery and Corruption Policy for the implementation of Section 17A of Malaysian Anti-Corruption Commission Act 2009.

The abovementioned policies are to be regularly reviewed by the Board as and when required.

(c) identifying principal risks and implementation of appropriate systems to manage risks

The Audit Committee has been entrusted by the Board to identify, evaluate, monitor and manage any relevant major risk faced by the Group so that the Group will achieve its business objectives. However, the Board as a whole remains responsible for all the actions of the Audit Committee with regard to the execution of the delegated role and this includes the outcome of the review and disclosure on key risks and internal control in the 2020 Annual Reports.

(d) succession planning

	<p>The Board, through the Nomination Committee, is responsible for the succession planning of the Directors of the Company and Group.</p> <p>The Board has adopted the Succession Planning Policy for the Group to ensure the Group’s continuity in leadership for all key positions.</p> <p>The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunities.</p> <p>As part of the agenda item of “To discuss the report on the Group’s latest business development”, the Group Managing Director would brief on the Group Human Resources updates, in particular, the impending appointments and/or resignations/retirements of senior management staff, including overseas subsidiaries, to ensure all succession issue in respect to any vacant of senior management positions be addressed.</p> <p>A copy of the Succession Planning Policy is available for viewing at the Group’s corporate website at http://www.pccsgroup.net/.</p> <p>(e) review of the adequacy and the integrity of the Company’s internal control systems and management information systems</p> <p>The Board has established key control processes to ensure there is a sound framework of reporting on internal controls and regulatory compliance. Details pertaining to the Group’s internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control in the 2020 Annual Report.</p> <p>The Audit Committee has been delegated by the Board to review the adequacy and integrity of the Group’s internal control systems and management information systems. The Audit Committee has in turn entrusted the outsourced Internal Auditors, namely Sterling Business Alignment Consulting Sdn. Bhd. (“Sterling”), to carry out such tasks and the same be incorporated as part of the Internal Audit Plan of the year to be adopted. The Internal Auditors are required to report to the Audit Committee with their findings and recommendations on the status of the internal control system of the Group on a quarterly basis.</p> <p>(f) review of the Company’s financial position and the ability to meet its debts and other obligations</p>
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	<p>The Board monitors the financial position of the Company on a regular basis vide the insertion of the following permanent agenda item in the Board Meetings:-</p> <p>“To review the Group’s performance for the quarterly financial period”.</p> <p>(g) integrity of the Company’s financial statements</p> <p>The Board ensures that shareholders are presented with a quality, clear, balanced, meaningful assessment of the Company’s financial performance and prospects through the issuance of the audited financial statements and quarterly announcements of financial results and vide corporate announcements on significant development in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on a timely basis and in compliance with the applicable financial reporting standards and corporate law.</p> <p>(h) adherence of high standards of ethics and corporate behaviour</p> <p>The Board had established Code of Conduct and Ethics, Whistle Blowing Policy and Anti-Bribery and Corruption Policy to promote and reinforce ethical standards throughout the Group. Details pertaining to the Code of Conduct and Whistle Blowing Policy are set out in the Practices 3.1 and 3.2 of this Report.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Mr. Julian Lim Wee Liang, the Senior Independent Non-Executive Chairman, and his key responsibilities as a Chairman, include but not limited to the following:-</p> <ul style="list-style-type: none">• Providing leadership to the Board, without limiting the principle of collective responsibility for Board decisions.• Participating in the selection of Board members and ensuring that the balance in composition is properly maintained.• Chairing meetings of the Board in a manner that will encourage constructive discussion and effective contribution from each Director.• Reviewing the minutes of meetings of the Board before meetings, to ensure that such minutes accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed.• Ensuring that the Company conducts orientation and education program for new directors.• Initiating, normally in conjunction with the Management, the formulation of a business plan at the beginning of each year to ensure that the Board establishes the goals it wishes to achieve and the means by which this will be carried out.• Working with the Board in establishing appropriate Board Committee structures and ensuring that they achieve their objectives.• Promoting high levels of corporate governance. <p>The leadership of Mr. Julian Lim Wee Liang as the Senior Independent Non-Executive Chairman of the Company was acknowledged and verified by the good ratings received via the Self and Board Performance Evaluation for the financial year ended 31 March 2020 and his profile is set out in the Directors' Profile of the 2020 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

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 separation of positions of the role of Chairman and Group Managing Director ("Group MD") facilitates the division of responsibilities between them.</p> <p>Mr. Julian Lim Wee Liang, the Senior Independent Non-Executive Chairman, primarily responsible for the orderly conduct and working of the Board whilst Mr. Chan Choo Sing, the Group MD, together with the Executive Directors, oversees the operations of the Group and implementation of the Board's decisions, business strategies, and policies.</p> <p>The role of Chairman as well as the role of the Group MD have been clearly outlined in the Board Charter.</p> <p>A full copy of the Board Charter is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</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 supported by two (2) qualified and competent Company Secretaries and the Board is satisfied with the support rendered by the Company Secretaries to the Board in the discharge of its roles and responsibility for the financial year ended 31 March 2020. The Company Secretaries play an advisory role to the Board on the Company's contribution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.</p> <p>The brief profile of the company secretaries are as follows:-</p> <p>Ms. Chua Siew Chuan, FCIS</p> <p>Ms. Chua has been elected as a Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") since 1997. She has more than thirty-six (36) years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is the Immediate Past President of MAICSA and currently is the Chairperson of the Technical & Professional Practice Committee and Deputy Chairperson of the National Disciplinary Tribunal and Membership Committee and member of several Committees of MAICSA.</p> <p>Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p>Ms. Chua has been appointed as Company Secretary of the Company since 20 June 1995.</p> <p>Mr. Cheng Chia Ping, ACIS</p> <p>Mr. Cheng has been elected as an Associate Member of the MAICSA since 2012. He has more than twelve (12) years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations.</p>

	<p>Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p>Mr. Cheng has been appointed as company secretary of the Company with effect from 31 March 2017.</p> <p>The primary responsibilities of the Company Secretaries, include but are not limited to the following:-</p> <ol style="list-style-type: none"> 1. Co-ordinate with Management on the logistics of all Board and Committee Meetings, attend the Board and Committee Meetings and record the Minutes of the Meetings accordingly. 2. Ensure timely communication of the decision of the Board or Committee to be conveyed to the relevant parties and whether any follow-up actions are required. 3. Advise the Board on its roles and responsibilities, particularly the additional or changes in obligations arising from the implementation of the new laws and regulations or any amendments thereof. 4. Identify relevant training and development programmes for the Directors, based on the training needs determined by the Nomination Committee for the particular financial year. 5. Advise the Board on the requirements of corporate disclosures in accordance with the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia Securities”) for various corporate proposal, as well as compliance with the Main LR, Capital Market and Services Act 2007 and the Companies Act 2016. 6. Ensure that all the proceedings of the general meetings are in order and the general meetings are properly called and convened, record the Minutes of the general meetings, as well as the discussion during the Questions and Answers session. 7. Identify the corporate governance initiatives which are applicable to the Group and highlighted the same to the Board for consideration. Monitor the corporate governance practices, by proposing relevant agenda items to be included as recurring meeting agenda. 8. Advise the Board on corporate governance related matters. 9. Facilitate the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee’s review.
<p>Explanation for departure</p>	<p>:</p>

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

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>For financial year ended 31 March 2020 (“FYE 2020”), an annual calendar of Board Meetings and Committee meetings and the Annual General Meeting is circulated in advance in order to facilitate planning by the Directors.</p> <p>The Board had met five (5) times in FYE 2020. For each Board meeting, notice calling the meeting is issued at least seven (7) days in advance of the meeting and the Directors are provided at least three (3) days in advance of the meeting with the relevant agenda detailing the matters to be transacted at the meeting and the Board papers detailing the key issues so that the Directors have ample time to review and consider the relevant information.</p> <p>Subsequent to the meeting, the Minutes will be circulated to the Board and Board Committee for confirmation to ensure that deliberations and decisions are accurately recorded.</p> <p>The Company Secretaries would ensure that a statement of declaration of interest or abstention from voting and deliberation is recorded in the Minutes.</p> <p>The Board and Board Committee’s Chairman of the meeting signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book of the Company to be made available for inspection under the Companies Act 2016.</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 Charter of the Company was established on 31 July 2014. In the course of establishing a Board Charter, the Board recognises the importance to set out the key values and principles of the Company, as policies and strategy development are based on these considerations.</p> <p>The Board Charter includes the division of responsibilities and powers between the Board and Management as well as the different Committees established by the Board.</p> <p>The Board Charter acts as a source of reference for Board members and Management, and the same is accessible to the public on the Company's corporate website. The Board Charter entails the following:-</p> <ul style="list-style-type: none"> • Board Governance Process • Role of the Board and Board Committees • Board-Management Relationship • Board-Shareholders Relationship • Stakeholders Relationship • Commitment on Corporate Governance <p>The Board Charter is to be regularly reviewed by the Board as and when required. As at the date of this Report, the Board Charter has not been reviewed by the Board since its establishment as the Board viewed that the Board Charter is suffice for the Board, Board Committees and the Management to carry out their roles and responsibilities.</p> <p>Roles of Senior Independent Non-Executive Director</p> <p>Mr. Julian Lim Wee Liang is the Senior Independent Non-Executive Chairman of the Company.</p> <p>The roles of the Senior Independent Non-Executive Director as entail in the Board Charter, include but not limited to the following: -</p>

	<ul style="list-style-type: none"> • A sounding board for the Chairman; • An intermediary for other Directors when necessary; and • The point of contact for shareholders and other stakeholders. <p>A full copy of the Board Charter is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</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 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 Group has in place a Group's Code of Conduct and Ethics ("COC") which is revised on 28 November 2018, which is applicable to the Board, the Management and the employees of the Group. In the course of establishing the COC, the Board recognises the importance to promote and reinforce ethical standards throughout the Group. Moving forward, the Company will continuously support, promote and ensure compliance to the COC. Furthermore, the Company will strive to ensure that our consultants, agents, partners, representatives and others performing works or services for or on behalf of the Company comply with the COC.</p> <p>The guiding principles of the COC are as follow: -</p> <ul style="list-style-type: none"> • Human Rights • Workplace Health and Safety • Protection of Privacy • Conflict of Interest • Anti-Corruption • Insider Trading • Anti-Money Laundering <p>The COC is to be regularly reviewed by the Board as and when required.</p> <p>A copy of the COC is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</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 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>Whistleblowing is a specific means by which an employee/officer or stakeholder can report or disclose through the following established channels, concerns about any violation of the Code of Conduct and Ethics, unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place/has taken place/may take place in future.</p> <p>The Board had established a Whistle Blowing Policy with the following objectives:-</p> <ul style="list-style-type: none"> a) Provide an avenue for all employees and member of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders; b) Provide proper internal reporting channel to disclose any improper or unlawful conduct in accordance with the procedures as provided for under Whistle Blowing Policy; c) Address a disclosure in an appropriate and timely manner; d) Provide protection for the whistleblower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and e) Treat both the whistleblower and the alleged wrongdoer fairly. <p>A copy of the Whistle Blowing Policy is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</p> <p>For the financial year ended 31 March 2020, the Company has not received any complaint under this procedure.</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 4.1

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	:	The Board has six (6) members comprising one (1) Senior Independent Non-Executive Chairman, one (1) Independent Non-Executive Director, two (2) Non-Independent Non-Executive Directors and two (2) Executive Directors.	
		The Board is of the view that the current composition of the Board facilitates effective decision making and independent judgement where no individual shall dominate the Board's decision making.	
		Alternate Practice:- The Board undertakes the decision of the Board shall always be agreed upon by at least majority of the Independent Directors present at the Meeting, therefore, no individual Director can dominate the decision-making of the Board. The Board would take into consideration the potential appointment of additional Independent Non-Executive Director in the near future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	: Applied – Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	<p>The Company has on its Board, one (1) Independent Director, namely Mr. Julian Lim Wee Liang ("Mr. Julian"), who would on 14 November 2020 serve as Independent Director for a cumulative term of nine (9) years.</p> <p>Following the assessment and recommendation made by the Nomination Committee of the Company, the Board is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company based on the following justifications: -</p> <ul style="list-style-type: none">• Mr. Julian has fulfilled the criteria under the definition of an Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;• Mr. Julian is able to exercise independent judgement and act in the best interests of the Company;• Mr. Julian actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party;• Mr. Julian had devoted sufficient time and attention to his responsibilities as an Independent Director of the Company;• There is no potential conflict of interest that Mr. Julian could have with the Company as he has not entered into any contract or transaction with the Group; and• There are significant advantages to be gained from a long-serving Independent Director as he has many years of experience with incumbent knowledge of the Company and the Group's activities and corporate history, and has provided invaluable contributions to the Board in his role as an Independent Director.

	The Board has subsequently recommended that Mr. Julian be retained as Independent Director, subject to shareholders' approval at the forthcoming Twenty-Sixth Annual General Meeting 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

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><u>Appointment of Directors</u></p> <p>The appointment of Directors is under the purview of the Nomination Committee, which is to assist the Board on all new Board and Board Committees' appointments and to provide a formal and transparent procedure for such appointments including obtaining a commitment from the candidate that sufficient time will be devoted to carry out the responsibilities as a Director.</p> <p>The policies and procedures for recruitment and appointment of Directors are set out in the Board Charter.</p> <p>Pursuant to the Terms of Reference ("TOR") of Nomination Committee, the Nomination Committee is tasked to identify and select potential new Directors and to make recommendations to the Board for the appointment of Directors.</p> <p>The Nomination Committee reviews candidates for appointment as Directors based on the following criteria: -</p> <ul style="list-style-type: none">• qualifications;• skills and competence;• functional knowledge;• experience;• background and character;• integrity and professionalism;• time commitment and mobility; and• in the case of candidates for the position of Independent Non-Executive Directors, whether the test of independence under the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia Securities") is satisfied. <p>In its review of the potential candidates, the Nomination Committee also considered the following additional criteria: -</p> <ul style="list-style-type: none">• Prevailing government policies such as gender diversity;• Overall composition of the Board;• Board dynamics;

	<ul style="list-style-type: none"> • The combination of skills possessed by existing Directors to ensure the selected candidate would help close any possible gaps in the Board; and • Financial health of the Group. <p>As part of its evaluation procedures, representative(s) of the Nomination Committee will conduct an informal interview with the potential candidate(s). Upon review, the Nomination Committee shall make its recommendations to the Board of Directors for consideration and approval.</p> <p>During the financial year ended 31 March 2020, there was no new Director appointed to the Board of the Company.</p> <p><u>Appointments to Board Committees</u></p> <p>The review is conducted on an annual basis, and as and when the need arises, such as when a new Director is appointed. In determining the candidates for appointment to the Board Committees, various factors are considered by the Nomination Committee, including but not limited to the following factors: -</p> <ul style="list-style-type: none"> • the needs of the particular Board Committees; • the results of the Board Effectiveness Evaluation for the Board Committees; • time commitment and availability; • regulatory requirements; and • best practices or governance practices. <p><u>Appointments to Senior Management</u></p> <p>The Human Resources Department is responsible for selection and appointment of candidates for senior management position based on selection criteria which best matches the requirements of the open position. The selection criteria includes (but not limited to) diversity in skills, experience, age, cultural background and gender.</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	:	<p>The Board affirms its commitment to boardroom diversity as a truly diversified Board can enhance the Board's creativity, efficiency and effectiveness to thrive in good times and weather through bad times. However, the Board does not have any gender diversity policy.</p> <p>Female representation will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aims of selecting the best and mobile candidate to support the achievement of the Company's strategic objectives.</p> <p>Alternate Practice:-</p> <p>The Nomination Committee does not set any target on gender or ethnicity diversity but endeavour to include any member who will improve the Board's overall composition balance.</p> <p>The Board believes that the Directors with diverse age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process.</p> <p>The age profile of the Directors were ranging from forties to sixties years of age, which underlies the Board's commitment to age diversity at the Board level appointment.</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	: Applied
Explanation on application of the practice	<p>The Nomination Committee reviews candidates for appointment as Directors based on the following criteria: -</p> <ul style="list-style-type: none">• qualifications;• skills and competence;• functional knowledge;• experience;• background and character;• integrity and professionalism;• time commitment and mobility; and• in the case of candidates for the position of Independent Non-Executive Directors, whether the test of independence under the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia Securities”) is satisfied. <p>The review is conducted on an annual basis, and as and when the need arises, such as when a new Director is appointed. In determining the candidates for appointment to the Board Committees, various factors are considered by the Nomination Committee, including but not limited to the following factors: -</p> <ul style="list-style-type: none">• the needs of the Particular Board Committees;• the results of the Board Effectiveness Evaluation for the Board Committees;• time commitment and availability;• regulatory requirements; and• best practices or governance practices. <p>In its review of the potential candidates, the Nomination Committee also considered the following additional criteria:-</p> <ul style="list-style-type: none">• Prevailing government policies such as gender diversity;• Overall composition of the Board;• Board dynamics;• The combination of skills possessed by existing Directors to ensure the selected candidate would help close any possible gaps in the Board; and• Financial health of the Group.

	<p>In the event that candidate is required for the appointment of Director, the Nomination Committee would use variety of approaches and sources to ensure that it identifies the most suitable candidates and will not limit themselves by solely rely on the recommendations from existing Board members, management or major shareholders.</p> <p>As part of its evaluation procedures, the Nomination Committee will conduct an informal interview with the potential candidate(s). Upon review, the Nomination Committee shall make its recommendations to the Board of Directors for consideration and approval.</p> <p>During the financial year ended 31 March 2020, there was no new Director appointed to the Board of the Company.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

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 Chairman of the Nomination Committee, Mr. Julian Lim Wee Liang is the Senior Independent Non-Executive Chairman of the Company.</p> <p>For the financial year ended 31 March 2020, as the Chairman of the Nomination Committee, Mr. Julian Lim Wee Liang has lead the review of Board’s effectiveness and composition via the Board and Board Committee Performance and Self Performance Evaluations, to ensure that the performance of each individual director is independently assessed.</p> <p>Mr. Julian Lim Wee Liang’s responsibilities and duties as a Nomination Committee are disclosed in the Terms of Reference (“TOR”) of the Nomination Committee.</p> <p>A copy of the TOR of the Nomination Committee is available for viewing at the Group’s corporate website at http://www.pccsgroup.net/.</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>The Nomination Committee conducted the following assessments annually:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Evaluation</th> <th style="text-align: left;">Assessment criteria</th> </tr> </thead> <tbody> <tr> <td>Individual Directors</td> <td> <ul style="list-style-type: none"> • Fit and proper; • Contribution and performance; and • calibre and personality. </td> </tr> <tr> <td>Board and Board Committee</td> <td> <ul style="list-style-type: none"> • Board mix and composition; • Quality of information and decision making; • Boardroom activities; and • Board Committees' Performance </td> </tr> <tr> <td>Audit Committee</td> <td> <ul style="list-style-type: none"> • Quality and composition • Skills and Competencies • Meeting Administration and Conduct • Duties and Responsibilities </td> </tr> <tr> <td>Independence of the Independent Directors</td> <td> <ul style="list-style-type: none"> • Independence criteria in accordance with Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad </td> </tr> </tbody> </table> <p>For the financial year ended 31 March 2020, the results of the aforesaid evaluations were then collated by the Company Secretaries and tabled to the Nomination Committee for deliberation. Each Director was provided feedback on their contribution to the Board and its Committees. The review supported the Board's decision to endorse all retiring Directors standing for election. The assessment report together with the report on the Board balance (the required mix of skills, experience and other qualities) were discussed and circulated to the Board.</p> <p>Based on the results and discussion, the Nomination Committee concluded that the Board as a whole, the Board Committees and each individual Director had performed well and effectively and the overall composition of the Board in terms of size, mix of skills, experience, core</p>	Evaluation	Assessment criteria	Individual Directors	<ul style="list-style-type: none"> • Fit and proper; • Contribution and performance; and • calibre and personality. 	Board and Board Committee	<ul style="list-style-type: none"> • Board mix and composition; • Quality of information and decision making; • Boardroom activities; and • Board Committees' Performance 	Audit Committee	<ul style="list-style-type: none"> • Quality and composition • Skills and Competencies • Meeting Administration and Conduct • Duties and Responsibilities 	Independence of the Independent Directors	<ul style="list-style-type: none"> • Independence criteria in accordance with Paragraph 1.01 and Practice Note 13 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad
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	<p>competencies and the balance between the Executive Directors, Non-Executive Directors and Independent Directors, is appropriate. The Independent Directors had also fulfilled their independent role in corporate accountability through their objective participation in Board deliberations during Board meetings. In addition, the Nomination Committee obtained the annual declaration of independence from the Independent Directors confirming their independent status.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</p>	:	

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 of each Director reflects the level of responsibility and commitment, which goes with Board membership. The full Board determines the remuneration of the Group Managing Director ("MD") and Executive Director.</p> <p>The Board had on 27 May 2016 adopted a Director Remuneration Policy to set the remuneration of its Group MD, Deputy Group General Manager ("DGM") and Executive Directors. The compensation system takes into account the performance of the Group MD, DGM and each Executive Director and the competitive environment in which the Group operates.</p> <p>The objective of the Director Remuneration Policy are as follows:-</p> <ul style="list-style-type: none">▪ Determine the level of remuneration package of Directors and Group MD/DGM;▪ Attract, develop and retain high performing and motivated Executive Directors and Group MD/DGM with a competitive remuneration package;▪ Provide a remuneration such that the Directors and Group MD/DGM are paid a remuneration commensurate with the responsibilities of their position; and▪ Encourage value creation for the Company and its Stakeholders. <p>It is the Board's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. Remuneration package of the Group MD and the Executive Directors will be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.</p> <p>The Remuneration Committee, when recommending the remuneration package of the Directors and Group MD, shall be guided by the main</p>

	<p>components and procedures provided in the Directors' Remuneration Policy.</p> <p>It is the existing practice of the Company that all the Directors to abstain from deliberation and voting on fixing their remuneration package or Directors' fee at the Remuneration Committee Meeting (where relevant) and the Board of Directors' Meeting.</p> <p>The Directors' Remuneration Policy is to be regularly reviewed by the Board as and when required. As at the date of the 2020 Annual Report, the Directors' Remuneration Policy has not been reviewed by the Board since its establishment as the Board viewed that the Directors' Remuneration Policy is suffice.</p> <p>A copy of the Directors' Remuneration Policy is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</p> <p>The Company does not have a remuneration policy for other Senior Management in place. The remuneration of the Senior Management personnel is determined at Board level and does not require for shareholders' approval.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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>The Remuneration Committee is governed by its Terms of Reference ("TOR") of Remuneration Committee which outlines its remit, duties and responsibilities. The principal duties and responsibilities of the Remuneration Committee as defined in the TOR, including but not limited to the following:-</p> <ul style="list-style-type: none">• To review and assess the remuneration packages of the Executive Directors in all forms, with or without independent professional advice or other outside advice to reflect the Board's responsibilities, expertise and complexity of the Company's activities.• To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully.• To structure the component parts of remuneration so as to align with the business strategy and long-term objectives of the Company and to link rewards to individual performance and to assess the needs of the Company for talent at Board level at a particular time.• To recommend to the Board of Directors the remuneration packages of the Executive Directors.• To act in line with the directions of the Board of Directors.• To consider and examine such other matters as the Remuneration Committee considers appropriate.• To review and assess the remuneration packages of the Group's Directors in all forms, with or without other independent professional advice or other outside advice and to recommend the same to the Board of Directors.

	<p>A copy of the TOR of the Remuneration Committee is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</p> <p>The following works were undertaken by the Remuneration Committee during the financial year ended 31 March 2020:-</p> <ul style="list-style-type: none"> (a) Reviewed and confirmed the minutes of the Remuneration Committee Meeting held in financial year ended 31 March 2019; (b) Deliberated on the remuneration packages of the Executives Directors and recommended the same to the Board for approval; (c) Reviewed the Directors' fees and recommended the same for the Board for approval; and (d) Review the benefits payable to the Directors of the Company. 	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

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	<p>For the financial year ended 31 March 2020, the aggregate remuneration received/receivable by the Directors of the Company from the Company and the Group categorised into appropriate components are as follows:-</p> <p>Received from the Company</p> <table border="1"> <thead> <tr> <th>Directors' Remuneration</th> <th>Fees* (RM'000)</th> <th>Salaries and Other emoluments (RM'000)</th> <th>Bonus (RM'000)</th> <th>Benefits-in-kind (RM'000)</th> <th>Others (RM'000)</th> <th>Total (RM'000)</th> </tr> </thead> <tbody> <tr> <td colspan="7">Executive Directors</td> </tr> <tr> <td>Chan Choo Sing</td> <td>108</td> <td>19</td> <td>-</td> <td>-</td> <td>-</td> <td>127</td> </tr> <tr> <td>Chan Chow Tek</td> <td>48</td> <td>16</td> <td>-</td> <td>-</td> <td>-</td> <td>64</td> </tr> <tr> <td colspan="7">Non-Executive Directors</td> </tr> <tr> <td>Dato' Chan Chor Ngiak</td> <td>66</td> <td>8</td> <td>-</td> <td>-</td> <td>-</td> <td>74</td> </tr> <tr> <td>Chan Chor Ang</td> <td>48</td> <td>8</td> <td>-</td> <td>-</td> <td>-</td> <td>56</td> </tr> <tr> <td>Julian Lim Wee Liang</td> <td>66</td> <td>8</td> <td>-</td> <td>-</td> <td>-</td> <td>74</td> </tr> <tr> <td>Piong Yew Peng</td> <td>66</td> <td>8</td> <td>-</td> <td>-</td> <td>-</td> <td>74</td> </tr> </tbody> </table> <p><i>* Subject to the approval by shareholders at the Twenty-Sixth Annual General Meeting</i></p> <p>Received on the Group Basis</p> <table border="1"> <thead> <tr> <th>Directors' Remuneration</th> <th>Fees* (RM'000)</th> <th>Salaries and Other emoluments (RM'000)</th> <th>Bonus (RM'000)</th> <th>Benefits-in-kind (RM'000)</th> <th>Others (RM'000)</th> <th>Total (RM'000)</th> </tr> </thead> <tbody> <tr> <td colspan="7">Executive Directors</td> </tr> <tr> <td>Chan Choo Sing</td> <td>108</td> <td>846</td> <td>191</td> <td>-</td> <td>-</td> <td>1,145</td> </tr> <tr> <td>Chan Chow Tek</td> <td>48</td> <td>640</td> <td>83</td> <td>-</td> <td>-</td> <td>771</td> </tr> <tr> <td colspan="7">Non-Executive Directors</td> </tr> </tbody> </table>							Directors' Remuneration	Fees* (RM'000)	Salaries and Other emoluments (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Others (RM'000)	Total (RM'000)	Executive Directors							Chan Choo Sing	108	19	-	-	-	127	Chan Chow Tek	48	16	-	-	-	64	Non-Executive Directors							Dato' Chan Chor Ngiak	66	8	-	-	-	74	Chan Chor Ang	48	8	-	-	-	56	Julian Lim Wee Liang	66	8	-	-	-	74	Piong Yew Peng	66	8	-	-	-	74	Directors' Remuneration	Fees* (RM'000)	Salaries and Other emoluments (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Others (RM'000)	Total (RM'000)	Executive Directors							Chan Choo Sing	108	846	191	-	-	1,145	Chan Chow Tek	48	640	83	-	-	771	Non-Executive Directors						
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Explanation :							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
Measure :							
Timeframe :							

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that, given that the disclosure of the remuneration of the top five (5) senior management will give rise to recruitment and talent retention issues and may lead to the performing senior management staff being lured away by the competitors and hence, the Group may lose high calibre personnel who have been contributing to the Group's performance.	
<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	:	<p>The Audit Committee is chaired by Mr. Piong Yew Peng, which is a separate person from the chair of the Board, Mr. Julian Lim Wee Liang.</p> <p>Mr. Piong Yew Peng's responsibilities and duties as a member of the Audit Committee are disclosed in the Terms of Reference ("TOR") of the Audit Committee.</p> <p>A copy of the TOR of the Audit Committee is available for viewing at the Company's corporate website at http://www.pccsgroup.net/.</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 8.2

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	:	The Audit Committee (“AC”) has instituted a policy by way of inclusion in the Terms of Reference of the AC that the appointment of a partner as a member of the AC shall observe a cooling-off period of at least two (2) years before appointed as a member of 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>During the financial year ended 31 March 2020 ("FYE 2020"), the Audit Committee has carried out the annual assessment and in its assessment, the Audit Committee considered, inter alia, the following factors:-</p> <p>For "suitability" assessment:-</p> <ul style="list-style-type: none">• The external auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;• To the knowledge of the Audit Committee, the external auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("MIA") which has not been reserved by the Disciplinary Board of MIA;• The external auditors firm has the geographical coverage required to audit the Group;• The external auditors firm advises the Audit Committee on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;• The external auditors firm consistently meets the deadlines set by the Group;• The level of quality control procedures in the external audit firm, including the audit review procedures; and• The external auditors' scope is adequate to cover the key financial and operational risks of the Group. <p>For "objectivity" assessment:-</p> <ul style="list-style-type: none">• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees. <p>For "independence" assessment:-</p>

	<ul style="list-style-type: none"> • The nature and extent of the non-audit services rendered and the appropriateness of the level of fees; • The engagement partner has not served for a continuous period of more than five (5) years with the Company; • The Audit Committee receives written assurance from the external auditors confirming 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; and • Tenure of the current auditors. <p>The Audit Committee noted for the FYE 2020, Messrs. Baker Tilly Monteiro Heng PLT (“Baker Tilly”), the external auditors of the Company confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.</p> <p>For the FYE 2020, the Audit Committee had conducted assessment of the suitability, objectivity and independence of Baker Tilly. The Audit Committee has assessed Baker Tilly based on several factors, including independence of the external auditors, quality of audit review procedures, adequacy of the firm’s expertise and its resources to carry out the audit work that they were tasked with and the extent of the non-audit services rendered.</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 :	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 8.5

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>During the financial year ended 31 March 2020, the Audit Committee members had completed the assessment on individual basis to assess the performance and skillsets of the individual Audit Committee members and their peers and the results were compiled by the company secretaries and tabled for the Nomination Committee's review.</p> <p>Based on the results of the assessment, the Audit Committee members are financially literate and understand the Group's business. The Audit Committee as a whole, has the appropriate and necessary skills and a wide range of experience and expertise in areas such as accounting and auditing, taxation, finance and economics to discharge their duties. The Audit Committee members had also given feedback to their peers on areas of focus for enhancement.</p> <p>The members of the Audit Committee have attended various continuous trainings and development programmes as detailed in the 2020 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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. The Audit Committee has been entrusted by the Board to ensure effectiveness of the Group’s internal control systems. The activities of the outsourced Internal Auditors are reported regularly to the Audit Committee which provides the Board with the required assurance in relation to the adequacy and integrity of the Group’s internal control systems. It acknowledges its overall responsibility in this area and also the need to review its effectiveness regularly.</p> <p>The Board had vide the Audit Committee has formed a Risk Management Working Group (“RMWG”) together with Performance Management Review Team (“PMRT”) to discharge the Risk Management function of the Group on behalf on the Board. The RMWG is reporting to PMRT in respect of the identified risks and PMRT will report directly to the Audit Committee.</p> <p>The Statement on Risk Management and Internal Control as set out in the 2020 Annual Report provides an overview of the state of Risk Management and internal controls within the Group.</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	:	<p>The Board had vide the Audit Committee has formed a Risk Management Working Group (“RMWG”) together with Performance Management Review Team (“PMRT”) to discharge the Risk Management function of the Group on behalf on the Board. The RMWG is reporting to PMRT in respect of the identified risks and PMRT will report directly to the Audit Committee.</p> <p>The Statement on Risk Management and Internal Control as set out in the 2020 Annual Report provides an overview of the state of Risk Management and internal controls within the Group.</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 9.3 - 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 Directors are responsible for the Group's system of internal controls and its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Company's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.</p> <p>The Group has appointed an independent professional service provider to carry out the internal audit function, namely, Sterling Business Alignment Consulting Sdn. Bhd. The outsourced Internal Auditors report directly to the Audit Committee providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the Audit Committee, assurance of the effectiveness of the system of internal control in the Group.</p> <p>The functions of the internal audit include major areas as follows:</p> <ul style="list-style-type: none">• Perform regular review of operational compliance with the established internal control procedures and the risk profiles of the major business units of the Group.• Conduct investigations on specific areas or issues directed by the Audit Committee.• Review the risk management processes. <p>The internal controls are tested for effectiveness and efficiency by Sterling. The report of the internal audit is tabled for Audit Committee's review and comments, and the audit findings will then be communicated to the Board. The outsourced internal auditor's representative met up three (3) times with the Audit Committee for the financial year ended 31 March 2020 ("FYE 2020").</p> <p>The internal audit review of the Group's operations encompasses a risk-based independent assessment of the Company's compliance with its internal controls and recommendations are made for further improvement.</p> <p>The following matters (non-exhaustive), in relation to the internal audit function of the Group, are reserved matters for the Audit Committee:-</p>

	<p>(a) Consider the appointment of the internal auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person(s) as auditors.</p> <p>(b) Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings.</p> <p>(c) Review any appraisal or assessment of the performance of members of the internal audit function.</p> <p>The Audit Committee Report as set out in the 2020 Annual Report provides further details of the Internal Audit Function.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</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 10.2

The board should disclose–

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

Application	:	Applied												
Explanation on application of the practice	:	<p>The Group has appointed an independent professional service provider to carry out the internal audit function, namely, Sterling Business Alignment Consulting Sdn. Bhd. (“Sterling”). The outsourced Internal Auditors report directly to the Audit Committee. During the financial year ended 31 March 2020, the Audit Committee had reviewed and assessed the adequacy of the scope, functions, competency, resources and independence of the outsourced internal auditors and that they have the necessary authority to carry out their work.</p> <p>The profile of Sterling is set out as follows: -</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Principal Engagement Lead</td> <td style="width: 5%;">:</td> <td>Ms. So Hsien Ying</td> </tr> <tr> <td>Qualifications</td> <td>:</td> <td> <ul style="list-style-type: none"> • Certified Internal Control Professional from Internal Control Institute • Associate Member of The Institute of Internal Auditors Malaysia (IIAM) • Master in Business Administration (Finance) • BSc Economics (Hons) (London) </td> </tr> <tr> <td>Experiences</td> <td>:</td> <td>more than twenty (20) years of experience in corporate planning, business process improvement, risk management, internal audit and internal control review.</td> </tr> <tr> <td>Number of resources</td> <td>:</td> <td>each internal audit review ranges from three (3) to four (4) staff per visit</td> </tr> </table> <p>Sterling is a corporate member of the Institute of Internal Auditors Malaysia (“IIAM”). Different lead Internal Auditor is assigned to conduct each Internal Audit Review, depending on the scope of the review.</p> <p>Sterling uses the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”) Internal Control – Integrated</p>	Principal Engagement Lead	:	Ms. So Hsien Ying	Qualifications	:	<ul style="list-style-type: none"> • Certified Internal Control Professional from Internal Control Institute • Associate Member of The Institute of Internal Auditors Malaysia (IIAM) • Master in Business Administration (Finance) • BSc Economics (Hons) (London) 	Experiences	:	more than twenty (20) years of experience in corporate planning, business process improvement, risk management, internal audit and internal control review.	Number of resources	:	each internal audit review ranges from three (3) to four (4) staff per visit
Principal Engagement Lead	:	Ms. So Hsien Ying												
Qualifications	:	<ul style="list-style-type: none"> • Certified Internal Control Professional from Internal Control Institute • Associate Member of The Institute of Internal Auditors Malaysia (IIAM) • Master in Business Administration (Finance) • BSc Economics (Hons) (London) 												
Experiences	:	more than twenty (20) years of experience in corporate planning, business process improvement, risk management, internal audit and internal control review.												
Number of resources	:	each internal audit review ranges from three (3) to four (4) staff per visit												

	<p>Framework as a basis for evaluating the effectiveness of the internal control systems.</p> <p>For financial year ended 31 March 2020, Sterling's engagement team personnel have affirmed to the Audit Committee that in relation to the Company/Group, they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.</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 continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

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

Practice 11.1

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

Application :	Applied
Explanation on application of the practice :	<p>The Board has developed internal corporate disclosure practices to ensure effective communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.</p> <p>The Board has a Corporate Disclosure Policy in place on confidentiality to ensure that confidential information is handled properly by the Directors, employees and relevant parties to avoid improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately to Bursa Malaysia Securities Berhad ("Bursa Malaysia Securities").</p> <p>A copy of the Corporate Disclosure Policy is available for viewing at the Group's corporate website at http://www.pccsgroup.net/.</p> <p>The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follow:-</p> <p>(a) Announcements to Bursa Malaysia Securities</p> <p>Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Malaysia Securities.</p> <p>Shareholders and Investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Malaysia Securities at www.bursamalaysia.com.my.</p> <p>(b) Annual Reports</p> <p>The Company's Annual Reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year end as well as the status of compliance with applicable rules and regulations.</p> <p>(c) Annual General Meeting/General Meetings</p>

	<p>The Annual General Meeting/General Meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.</p> <p>(d) Corporate Website</p> <p>The Company’s website provides a plethora of information to the public, which includes, inter alia, corporate information, business activities, corporate governance matters, latest press releases, annual reports, financial results, and etc.</p> <p>The Company has created the following dedicated sections to ensure more effective dissemination of information:-</p> <p>(i) A dedicated “Investor Relations” section which provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and Annual Reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information. The Investor Relations section comprises the following specific information:-</p> <ul style="list-style-type: none"> ▪ Stock information ▪ Financial reporting ▪ Meet the Directors (with personal photograph of each Director) <p>(ii) The Company has officially launched its LinkedIn Official Account in October 2019 and the WeChat Official Account (微信公众号) in December 2019. Both of the official accounts will serve as an internal communication channel for the Group in view of the Group subsidiaries’ diverse location around the globe. The aforesaid official accounts will also serve as an interaction channel between public and the Group, allowing publics to have more understanding on the Group.</p> <p>(iii) A dedicated “Contact Us” section with the listing of contact particulars of all the subsidiaries of the Group, including telephone numbers, facsimile as well as email address of the respective person-in-charge for ease of communication by stakeholders.</p> <p>The Company’s corporate website and official accounts are accessible at:</p> <ul style="list-style-type: none"> - http://www.pccsgroup.net/ - https://www.linkedin.com/company/pccs-group-berhad-pccs/ - WeChat ID: PCCSGROUP <p>(e) Senior Independent Non-Executive Chairman</p> <p>The Board has designated Mr. Julian Lim Wee Liang as Senior Independent Non-Executive Chairman to whom concerns from shareholders/stakeholders may be conveyed.</p>
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	<p>Shareholders/Stakeholders may address their concerns to the Senior Independent Non-Executive Chairman in the following manners:-</p> <ul style="list-style-type: none"> • By Letter – to be forwarded in a sealed envelope labelling with a legend of “To be opened by the Senior Independent Non-Executive Chairman only”; or • By Email – to be forwarded vide secure email with the heading of “For the eyes of the Senior Independent Non-Executive Chairman only”. <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p><u>Senior Independent Non-Executive Chairman</u></p> <p>Mr. Julian Lim Wee Liang</p> <p>Postal Address:-</p> <p>PCCS Group Berhad Lot 1376, GM 127, Mukim Simpang Kanan, Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim, Malaysia.</p> <p>Email Address:-</p> <p><u>julianlim@pccsgroup.net</u></p> </div> <p>The above information can also be found at the “Investor Relations” Section of the Company’s corporate website at http://www.pccsgroup.net.</p>
<p>Explanation : for departure</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

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	:	The Company is not classified as “Large Companies”.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:	Others	

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	:	<p>The notice of Twenty-Fifth Annual General Meeting (“AGM”) held on 26 August 2019 together with the Annual Report for the financial year ended 31 March 2019 were sent to the shareholders at least twenty-eight (28) days prior to the meeting date in order to give sufficient time to the shareholders to review the resolutions that will be discussed and concluded during the AGM. In addition, the notice of the AGM was advertised in local newspaper in which the shareholders and the general public able to access easily to the notice of the AGM.</p> <p>The Explanatory Notes in the Notice of the AGM also provide detailed explanation for each resolution proposed to enable the shareholders to make informed decision in exercising their voting rights.</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 12.2

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 Directors were present at the Twenty-Fifth Annual General Meeting of the Company held in year 2019 to engage with the shareholders personally and proactively.</p> <p>The proceedings of the Annual General Meeting (“AGM”) included the presentation of financial statements to the shareholders, and a question and answer session in which the Chairman of the AGM would invite shareholders to raise questions on the Company’s financial statements and other items for adoption at the AGM, before putting a resolution to vote.</p> <p>The Board ensure that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.</p> <p>The Chairmen of the Board Committees are also readily available to address the questions posted by the shareholders at the general meetings.</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>Prior to implementing the voting in absentia and remote shareholders’ participation at general meeting(s), the Board noted several factors/ conditions need to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"> • Relevant amendments to the Articles of Association/ Constitution of the Company to outline the procedures for enabling such Voting/ Participation; • Availability of technology and infrastructure; • Affordability of the technology and infrastructure; • Sufficient number of shareholders residing/locating at particular remote location(s); • Age profile of the shareholders. <p>In view thereof, the Board will not be recommending the adoption such Voting/ Participation at the forthcoming Annual General Meeting of the Company.</p>
		<p>Alternate Practice:-</p> <p>The shareholders can vote by proxy, provided that the proxy shall have been appointed by the shareholder himself or by his duly authorised representative provided further that it is filed at the registered office of the Company at least forty-eight (48) hours before the Annual General Meeting.</p>
<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	:	

**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.

N/A
