

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5592  
**COMPANY NAME** : GRAND CENTRAL ENTERPRISES BHD  
**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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<ul style="list-style-type: none"><li>• The Board is responsible to lead and control the Group's strategic direction, objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives.</li><li>• The Board also oversees the business operations, resource management, assessment of risks and effectiveness of internal control framework.</li><li>• The Board, together with the senior management, shows its commitment to promote good corporate governance culture within the organization which reinforces ethical, prudent and professional behaviour. This is founded on the principles of transparency, objectivity and integrity. There is a regular review on the adequacy of the Board Charter, Whistleblowing Policy, as well as the Sustainability Policy.</li><li>• The Board ensures that the strategic plan of the Group supports long-term value creation and sustainability. As such, relevant economic, environmental, social considerations have been embedded in the company's business strategies and operations. The Sustainability Policy is a practical and proactive policy, which clearly defined the goals and milestones of the Group, and recognize the responsibility to the community and environment, in managing the business and operations.</li><li>• To ensure the effectiveness of the Board, the Board has carried out an annual Self and Peer Evaluation Assessment to determine the Board members have necessary skills and experience and competency in carrying out their tasks.</li><li>• Annual Report is the key channel of communication with stakeholders. Another important avenue for communication and</li></ul>

	<p>dialogue is Annual General Meeting of the Company, and also the dedicated website link to the Company's Investor Relations that provides the stakeholders and investors with information of the Company as well as the announcements made to Bursa Malaysia Securities Berhad.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	:	
<p><b>Timeframe</b></p>	:	

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• The Chairman with the assistance of the Company Secretary sets the Board agenda for each meeting as scheduled, and ensures that the Board members are given adequate time for discussion of all agenda items, in particular strategic and critical issues.</li><li>• The Chairman leads the Board meetings and discussions in an effective manner, and should encourage a culture of openness and debate manner at the Board.</li><li>• The Chairman ensures the appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole. The Chairman shall act as the spokesperson for the Board, and is the principal contact for the Deputy Chairman.</li><li>• The Chairman ensures effective functioning of the Board, oversees and facilitates Board, Committee and Board members evaluation reviews and succession planning alongside the Chairman of the Nominating Committee.</li><li>• The Chairman leads the Board in establishing and monitoring good corporate governance practices in the Company.</li><li>• The Deputy Chairman assists the Chairman in conducting meetings in his absence, ensures there is a strong relationship between the Board and the Chairman, promotes constructive dialogues between executive and non-executive directors, and ensures the Board and the Chairman are communicating well with stakeholders.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The positions of the Chairman and the Managing Director are held by two different individuals. The Chairman, Mr. Tan Eng Teong is primarily responsible to lead and manage the Board by focusing on strategy, governance and compliance whereas the Managing Director, Mr Tan Teck Lin manages the business and operations of the Company and implements the Board's decisions.</li> <li>• The distinct and separate roles of the Chairman and Managing Director, with their clear division of responsibilities, ensure a balance of power and authority, hence no one individual can influence Board's discussions and decision-making.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is responsible for advising the Board on its roles and responsibilities; Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.</p> <p>The Company Secretary is also responsible to ensure that Board's policies and procedures are followed and that applicable rules and regulations are complied with.</p> <p>The Company Secretary's other responsibilities are:-</p> <ul style="list-style-type: none"><li>• To ensure good information flows within the Board and its Board Committees and between Management and non-executive directors, advising the Board on all governance matters, Board policies and procedures as well as pertinent regulatory requirements (e.g. company and securities regulations and listing requirements including disclosure obligations).</li><li>• To notify the Chairman of any possible violations of regulatory requirements.</li><li>• To attend and record minutes of Board and Board Committee meetings as well as facilitate Board communications, and ensuring that all the resolutions are properly attended to.</li><li>• To facilitate the orientation and assist with professional development as required.</li></ul> <p>The Company Secretary manage processes pertaining to the shareholder meeting and serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		



**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• During the Financial Year Ended 2017, 4 Board meetings, 4 Audit Committee Meetings, 1 Nominating Committee Meeting, and 3 Remuneration Committee Meetings were held at the Conference Room of Hotel Grand Continental.</li> <li>• The Board meeting agenda was set by the Chairman, assisted by the Company Secretary and Deputy Chairman cum Managing Director.</li> <li>• The various committees meeting agenda were set by respective committee's Chairman assisted by the Company Secretary.</li> <li>• Notice of meetings were served 7 days beforehand follow with the meeting agenda and meeting materials to all Directors for review.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• The Group's Board Charter will be periodically reviewed as and when necessary. It was last updated in 2018 and is available on the Company's website at <a href="http://www.gcebhd.com.my">http://www.gcebhd.com.my</a>.</li><li>• The Board Charter outlines the respective roles and responsibilities of the Board, Board Committees, Chairman, Deputy Chairman, Managing Director and Executive Directors, to ensure they act within the specific authorities delegated by the Board and within specific direction.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• The Board is committed to ethical values through a Code of Ethics and ensures the Directors in performing their duties should at all times act fiduciary, in line with laws, rules and regulations.</li><li>• The Code of Ethics for the Company Directors is published on the Company's website.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• The Board has established a Whistleblowing Policy with the purpose to ensure the right decisions are made when confronted with situations that test our values, beliefs and judgement. This policy was also included in the Group's Employee's Handbook.</li><li>• This policy provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, such employee who makes a report shall not be subject to unfair dismissal, separation, demotion or suspension or loss of benefits because of the report.</li><li>• The Group's whistleblowing policy was last reviewed and updated in 2018 and is available on the Company's website at <a href="http://www.gcebhd.com.my">http://www.gcebhd.com.my</a>.</li><li>• The Audit Committee is responsible for overseeing the implementation of the Whistleblowing Policy for the Group.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>• The Board is cognisance that the current composition is not align with the desired practice of at least half to comprise independent directors.</li> <li>• The Board has put its best effort in seeking for suitable caliber candidates as independent directors of the Company through our associate company who is a member of an institute of directors, to make up a majority of independent directors in the Board members as recommended under the Code.</li> </ul>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"><li>• Mr Lee Wai Kuen, an independent Non-Executive Director, whose tenure has exceeded 9 years in the Board. He was appointed to the Board since 21 May 2008.</li><li>• Mr Wong Tow Cheong, an independent Non-Executive Director too, whose tenure has exceeded 12 years in the Board. He was appointed to the Board since 19 May 2006.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board is well balanced with wide range of business and financial experience. Each year the Board reviews and evaluates the performance of each director and arranges suitable training where appropriate.</li> <li>• To ensure the effectiveness of the Board, the Board has carried out an annual Self and Peer Evaluation Assessment to determine the Board members has necessary skills and experience and competency in carrying out their tasks.</li> </ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Currently, there is only one woman Director on Board.	
		The Board is putting its efforts in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background to join the Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	There was no new appointment of Directors in 2017. However, the Board consider sourcing new directors via different directors recruitment agencies, or referrals from external parties.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

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

**Intended Outcome**

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

**Practice 5.1**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has carried out an annual Self and Peer Evaluation Assessment to determine the Board members has necessary skills and experience and competency in carrying out their tasks. Interested director abstained from discussion.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board, has established a formal and transparent process for approving the remuneration of the Board and Board Committees and senior management.</li> <li>• The remuneration is reviewed by the Remuneration Committees on an annual basis, to ensure that rewards commensurate with their experience and individual performance.</li> <li>• The Non-Executive Directors are paid an annual fixed fee for serving on the Board, which is determined by the Board of Directors as a whole.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Remuneration Committee is chaired by Mr Lim Thian Loong who is an Independent Director.  The terms of reference of the Remuneration Committee is available at the Company's website <a href="http://www.gcebhd.com.my">http://www.gcebhd.com.my</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Detailed disclosure on named basis for the remuneration of individual directors is in the Company's Annual Report. The remuneration breakdown of individual directors includes fees, salary, allowance, benefits in-kind and other emoluments.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b> :	Applied											
<b>Explanation on application of the practice</b> :	<p>In line with best corporate governance practice, the disclosure of the three (3) senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.00 on a named basis are as below:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Range of Remuneration</th> </tr> <tr> <th></th> <th style="text-align: center;">Group and Company</th> </tr> </thead> <tbody> <tr> <td>Teoh Hooi Nie</td> <td style="text-align: center;">RM100,001 - RM150,000</td> </tr> <tr> <td>Tai Boon Kong</td> <td style="text-align: center;">RM50,001 - RM100,000</td> </tr> <tr> <td>Christopher Koh Beng Tee</td> <td style="text-align: center;">RM50,001 - RM100,000</td> </tr> </tbody> </table>			Range of Remuneration		Group and Company	Teoh Hooi Nie	RM100,001 - RM150,000	Tai Boon Kong	RM50,001 - RM100,000	Christopher Koh Beng Tee	RM50,001 - RM100,000
	Range of Remuneration											
	Group and Company											
Teoh Hooi Nie	RM100,001 - RM150,000											
Tai Boon Kong	RM50,001 - RM100,000											
Christopher Koh Beng Tee	RM50,001 - RM100,000											
<b>Explanation for departure</b> :												
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>												
<b>Measure</b> :												
<b>Timeframe</b> :												



**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the members of the Board were former key audit partners.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In assessing the independence of the external auditors, the Audit Committee will take into consideration a few factors, including the experience and tenure of the external auditors, the nature and level of the services provided, and the effectiveness of the audit process.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Applied
<b>Explanation on adoption of the practice</b>	:	The Audit Committee of the Board comprises of three Independent Non-Executive Directors and has full access to both the internal and external auditors.

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The qualification and experience of individual Audit Committee members are disclosed in the Board of Directors' Profile in the Annual Report. All of them are qualified to discharge their duties in accordance with the Terms of Reference of the Audit Committee.  The training programmes attended by the Audit Committee members are stated in the Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to maintain a sound system of internal control and effective risk management system, in order to achieve its objectives of profitability and sustainable growth.</p> <p>The Board regularly reviews the effectiveness and adequacy of the risk management and internal control processes.</p> <p>A clearly defined organisational structure and the policies and procedures for the processes has been established and documented in the Group accounting and control manuals, and are updated from time to time.</p> <p>The Audit Committee meets at least once every quarter and holds discussions with the management on the action taken on internal control issues prepared by the internal auditors.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Statement of Risk Management and Internal Control is disclosed in the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Company was outsourced to a professional internal audit services company ("Internal Auditors") which includes performing regular reviews of the business processes to assess effectiveness of the internal control system and highlight significant risks impacting the Group with recommendation for improvements.</p> <p>The Audit Committee will review the internal audit programme, process and the results of the internal audit programme, and ensure the process or investigation undertaken and appropriate action taken up.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Since the internal audit function of the Company was outsourced to a professional internal audit services company, hence non of the internal audit personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>The Audit Team is headed by a manager who is assisted by an audit executive. Both manager and executive are accounting graduates from local universities.</p> <p>The Internal Auditors have carried out their work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentation, communication of findings and consultation with key stakeholders on the audit concerns.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board ensures there is effective, transparent and regular communication with shareholders on Company's operations, governance and performance of the Group via the General Meetings, Bursa announcements, Annual Reports and Circulars, and through the Company's website.</p> <p>The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the General Meetings.</p> <p>The Board also takes proactive measures to ensure that shareholders are able to participate at General Meetings and to communicate their views and exercise their right to vote at the General Meetings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Group does not fall within the definition of large companies.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Notice of Annual General Meeting was issued and sent out together with audited financial statements, of which the management and auditors needed time to finalise.	
		GCE complying with Paragraph 7.15 and Article 55 of the Constitution with at least 21 days' notice for Annual General Meeting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Chairman was absent for the Annual General Meeting held on 26 April 2017 due to his health condition.	
		The Board has the Deputy Chairman and he will chair the general meeting whenever Chairman is absent.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Annual General Meetings are all the times held in Kuala Lumpur, which is easily accessible to most shareholders of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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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