

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5141
COMPANY NAME : Dayang Enterprise Holdings Bhd
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is focused on the Group's overall governance by ensuring the implementation of strategic plans and that accountability to the Group and stakeholders is monitored effectively.</p> <p>The Board plays an active role in reviewing and adopting the strategic business plans of the Group, ensuring that the strategies proposed by the Management are discussed at length, supervising management, reviewing performance and determining business risks parameters.</p> <p>The Board practices a clear division of responsibilities between the Chairman, Managing Director, Executive Directors and Independent Non-Executive Directors.</p> <p>The Chairman is primarily responsible for the orderly conduct of the Board meetings and to ensure effectiveness of the Board.</p> <p>The Managing Director and the Executive Directors are responsible for the day to day operations of the Group whereby operational issues and problems are discussed and matters relating to the Group are reviewed and operational strategies are formulated.</p> <p>Independent Directors are involved in various committees and contribute in areas such as performance monitoring and providing independent view for enhancement of corporate governance and controls.</p> <p>The role of the management is to manage the Company in accordance with the direction of and delegation by the Board. The Board plays the strategic role in overseeing that the management carries out the delegated duties to achieve the Group's corporate objectives with long term strategic plans of the business.</p> <p>As part of its efforts to ensure the effective discharge of its duties, the Board has delegated specific functions to other Board Committees, namely:</p>

	<p>i) Audit Committee (AC) ii) Joint Remuneration & Nomination Committee (JRNC) iii) Risk Management Committee (RMC) and iv) Corporate Social Responsibility (CSR) Committee</p> <p>Each committee has been given clear terms of reference that have been approved by the Board. Issues were deliberated by the respective committees before putting up for recommendation to the Board. The respective Board Chairman will report to the Board on any significant development and deliberations conducted at the Board Committee level.</p> <p>The RMC advises the AC and the Board on areas of high risks and the adequacy of compliance and control procedures throughout the organisation. The AC reviews the internal controls of the Group to ensure the protection of its assets and its shareholders' investment.</p> <p>The Board through the JRNC is responsible, amongst others, to review the Board's composition and making recommendations to the Board for appointments of new Directors by evaluating and assessing the suitability of candidates for appointment as Board member or Board Committee member. Due consideration is given to the required mix of skills, knowledge, expertise, experience, professionalism and integrity that the proposed Director will bring to the Board.</p> <p>The JRNC is also responsible to review the performance of the Directors seeking re-election at the forthcoming Annual General Meeting. The JRNC also assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director on an annual basis.</p> <p>Dayang believes in building investor confidence through good corporate governance practices and communication with stakeholders. The stakeholders are updated with the performance and results of Dayang through engagements and public releases of the relevant information which are available at the corporate website.</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

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>The Chairman, Datuk Hasmi Bin Hasnan leads the Board and manages the board's performance by providing leadership and guidance to the Board.</p> <p>Key responsibilities of the Chairman appointed includes:-</p> <ul style="list-style-type: none"> (a) Representing the Board to Shareholders and to chair and ensure efficient organization and conduct of the Board and/or meeting of the shareholders. (b) Leading board meetings and discussions and encourage active participation and allowing dissenting views to be freely expressed. (c) Leading the Board in establishing and monitoring good corporate governance practices in the Company. (d) Guiding and mediating Board actions (e) Encourages active participation and allows different views to be freely expressed. (f) Performing other responsibilities assigned by the Board from time to time.
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

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 position of the Chairman is held by Datuk Hasmi Bin Hasnan whereas the position of Chief Executive Officer in the Company is assumed by the Managing Director, Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin.</p> <p>There is a clear segregation of responsibilities between the Chairman and the Managing Director to ensure a balance of authority and accountability in decision making.</p> <p>The Chairman is primarily responsible for the orderly conduct and function of the Board by focusing on strategy governance while the Managing Director is responsible for the day to day running of the Group's businesses and implementation of the Board's decisions and policies.</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

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>Qualified and Competent Company Secretaries</p> <p>The Board is supported by the services of two qualified Company Secretaries under Section 235(2) of the Companies Act 2016.</p> <p>All Directors have direct access to the advice and services of the Company Secretaries on compliance issues and ensure that the Company's policies and procedures are followed. The Directors are also empowered to seek independent professional advice at the expense of the Company, should they consider it necessary in their course of duties.</p> <p>The Company Secretaries ensures that all legal and regulatory requirements are met. The Company Secretaries also provide governance advice, ensure adherence to rules and procedures and advocate the adoption of corporate governance best practices.</p> <p>The Company Secretaries attend all Board meetings and ensure all deliberations and decisions made by the Boards and Committees are accurately minuted and the records of the proceedings of the meetings are properly kept.</p> <p>The Board is updated by the Company Secretaries on the follow-up of its decisions and recommendations by the Management. Action items would stay as matters arising in the minutes of meetings until they are solved.</p> <p>The Company Secretaries keep abreast of the changing capital market environment and regulatory changes by attending relevant conferences, training programmes and continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries.</p> <p>The Company Secretaries play an important role at the Annual General Meetings held end of May annually by ensuring that proceedings are in place and properly managed. The Company Secretaries also ensure the minutes are properly recorded.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board meets on a quarterly basis and additionally as and when required. The annual meeting calendar is prepared and circulated to the Directors in advance of each new year. The calendar provides Directors with tentative dates for Board meetings, Annual General Meeting as well as the closed periods for dealings in securities by Directors according to targeted dates of the Group's quarterly results announcements.</p> <p>Prior to Board Meetings, all Directors are provided with an agenda together with appropriate board papers containing information on major financial, operational and corporate matters of the Group, normally five (5) days prior to the Board meetings to ensure sufficient time for directors to review the papers in preparation for the meeting and to obtain further explanations, where necessary and also to give the directors time to deliberate on the issues to be raised at the meeting.</p> <p>All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the Board meeting. These minutes are circulated to all Directors for their perusal and confirmation and any Director can request for further clarification on the minutes prior to their confirmation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is mindful of the need to protect the interests of its shareholders and other stakeholders.</p> <p>In discharging its duties effectively, the Board has adopted a Board Charter which outlines the roles, composition and responsibilities of the Board.</p> <p>The Board conducts regular review of the Charter as and when necessary to maintain its relevance to the prevailing rules and regulations.</p> <p>The Board Charter is published on the Company’s website at www.desb.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

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 Code of Ethics and Conduct for Directors which forms part of the Board Charter, sets out the broad standards of conduct and basic principles to guide the Board in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity.</p> <p>The Group has in place a Code of Ethics for its employees that encompass all aspects of its day to day business operations and sets out the standards and ethical conduct expected of all employees of the Group.</p> <p>Directors and employees of the Group are expected to observe high standards of integrity and ensure compliance with applicable laws, rules and regulations to which the Group is bound to observe in the performance of its duties.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has put in place a Whistleblowing Policy, a mechanism for its employees and stakeholders to report genuine concerns in relation to improper conduct within the Company in matters relating to financial, compliance, misconduct, wrongdoing and other malpractices in an appropriate manner.</p> <p>The Whistleblowing Policy also sets out avenues where legitimate concerns can be objectively investigated and addressed. Individuals would be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal.</p> <p>The Whistleblowing Policy is available on the Company's website at www.desb.net and would be periodically reviewed by the Board to ensure its relevance.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure																
Explanation on application of the practice	:																	
Explanation for departure	:	<p>The current board composition is as follows:</p> <table border="1"> <thead> <tr> <th>Designation</th> <th>Number of Directors</th> <th>Percentage(%)</th> </tr> </thead> <tbody> <tr> <td>Executive Directors</td> <td>5</td> <td>50.00</td> </tr> <tr> <td>Non-Independent Non-Executive Director</td> <td>1</td> <td>10.00</td> </tr> <tr> <td>Independent Directors</td> <td>4</td> <td>40.00</td> </tr> <tr> <td>Total</td> <td>10</td> <td>100.00</td> </tr> </tbody> </table> <p>The present composition of the Board is in compliance with Paragraph 15.02(1) of the Listing Requirements of Bursa Malaysia Securities Berhad which requires one third (1/3) of the Board members to comprise independent members.</p> <p>The Board takes cognizance that the current composition of the Board does not align with the recommended practice which requires at least half of the board to comprise independent directors.</p> <p>The four (4) Independent Directors which represents 40% of the Board, demonstrates independence of judgement and ensure board decisions are made objectively in the best interests of the Company.</p> <p>Ms Wong Ping Eng, the Non- Independent Non-Executive Director has exercised her willingness to challenge the Management with questions and debated constructively during board meetings which helps to reinforce the check and balance of Board's decision making process.</p>		Designation	Number of Directors	Percentage(%)	Executive Directors	5	50.00	Non-Independent Non-Executive Director	1	10.00	Independent Directors	4	40.00	Total	10	100.00
Designation	Number of Directors	Percentage(%)																
Executive Directors	5	50.00																
Non-Independent Non-Executive Director	1	10.00																
Independent Directors	4	40.00																
Total	10	100.00																
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																		
Measure	:																	
Timeframe	:																	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
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	:	Adopted
Explanation on adoption of the practice	:	The Board has adopted a policy which limits the tenure of its independent directors (ID) to nine (9) years. All Independent Directors have served the Board for less than nine (9) years.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied																																						
Explanation on application of the practice	:	<p>The Board continually evaluates its requirements as to the appropriate mix of skills and experience required to ensure that its composition remains optimal for the effective discharge of its responsibilities. Their expertise and know-how have been gained through their years of involvement as players in their respective fields. The profiles of the Directors are provided on pages 9 to 11 of the Annual Report.</p> <p>The current diversity in race/ethnicity, age and gender of the existing Board who are all Malaysians is as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="4">Race/Ethnicity</th> </tr> <tr> <th></th> <th>Malay</th> <th>Chinese</th> <th>Others</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>4</td> <td>4</td> <td>2</td> </tr> </tbody> </table> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th rowspan="2">No of Directors</th> <th colspan="4">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>45-50</th> <th>56-60</th> <th>60-65</th> <th>>70</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td></td> <td>4</td> <td>2</td> <td>3</td> <td>1</td> <td>8</td> <td>2</td> </tr> </tbody> </table> <p>The appointment of key senior management was also made with due regard for diversity in skills, experience, age, and cultural background. The profiles of the current Senior Management are mentioned on pages 12 and 13 of the Annual Report.</p>							Race/Ethnicity					Malay	Chinese	Others	Number of Directors	4	4	2	No of Directors	Age Group				Gender		45-50	56-60	60-65	>70	Male	Female		4	2	3	1	8	2
Race/Ethnicity																																								
	Malay	Chinese	Others																																					
Number of Directors	4	4	2																																					
No of Directors	Age Group				Gender																																			
	45-50	56-60	60-65	>70	Male	Female																																		
	4	2	3	1	8	2																																		
Explanation for departure	:																																							
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																																								
Measure	:																																							
Timeframe	:																																							

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
of cnaExplanation for departure	:	<p>The Board acknowledges the recommendation of the MCCG on the establishment of boardroom gender diversity policy. The Company currently has two (2) female members on the Board representing 20% of the Board.</p> <p>However, the Board has no immediate plans to implement a gender diversity policy, as it is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities regardless of gender.</p> <p>In the selection of candidates for Board appointment, the Board believes in and provides equal opportunity to candidates who have the required skills, experience, core competencies and other qualities regardless of gender, ethnicity and age.</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 Joint Remuneration and Nomination Committee (JRNC) is empowered by the Board to recommend the right candidates with the necessary skills, experience and competencies to be filled in vacant Board seats.</p> <p>The Board considers recommendations made by existing Board members, management or major shareholder for the selection of candidates to be considered for appointment as new Board members but may include independent sources if suitable candidates are not readily available.</p> <p>Datuk Hasmi Bin Hasnan was appointed Executive Chairman of the Company on 1 September 2018 via recommendation from an existing board member. The Board, after taking into consideration the outcome of the evaluation and assessment by the JRNC, appointed Datuk Hasmi Bin Hasnan as Executive Chairman.</p>
Explanation for departure	:	
	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Joint Remuneration & Nomination Committee (JRNC) is chaired by our Independent Non-Executive Director, Encik Ali Bin Adai.	
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 Joint Remuneration and Nomination Committee (JRNC) conducted an annual review of the effectiveness of the Board and Board Committees as well as Board members individual performance evaluation via customised questionnaires which covers Board's effectiveness as a whole together with Directors' self and peer assessment.</p> <p>The JRNC also conducted the following evaluation:</p> <ul style="list-style-type: none">i) the review of the Audit Committee members' performance via questionnaire and self and peer evaluation form to ensure a balanced and objective review by the Directors and the Audit Committee for the abovementioned key areas;ii) Assessment of the Independence of the Independent Directors. <p>The Directors' self assessment was conducted to evaluate the mix of skills, experience and the individual Director's ability to contribute and exercise independent judgement towards the effective functioning of the Board.</p> <p>Based on the aforesaid evaluations conducted for the financial year 2018, the JRNC and the Board were satisfied with the performance of each Director, the Board as a whole and the Board Committees.</p> <p>The Company did not engage any external independent experts or consultants to facilitate the board evaluation process. During the year under review, the assessment and evaluation were conducted in-house.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board delegated to the Joint Remuneration & Nomination Committee (JRNC) the responsibility to deliberate and recommend the remuneration arrangements of the Executive Directors of the Group to the Board for its endorsement.</p> <p>The Board in determining the directors' remuneration policies and procedures are guided by the recommendation of the JRNC.</p> <p>The Board as a whole determines the remuneration of the Non-Executive Directors. The individual Directors concerned abstain from decision in respect of their individual remuneration.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established a Joint Remuneration & Nomination Committee (JRNC) to review and recommend matters relating to the remuneration of the Board.</p> <p>The JRNC comprises of 2 Independent Non-Executive Directors and one Non-Independent Non-Executive Director.</p> <p>A copy of the Joint Remuneration & Nomination Committee's Terms of Reference (TOR) is available on the Group's website at www.desb.net. The TOR includes requiring JRNC to review and deliberate on the remunerations of Executive Directors and recommend to the Board for its approval.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application :	Applied																																																																																																																															
Explanation on application of the practice :	<p>The Board aims to set remuneration at levels which are sufficient to attract and retain the directors needed to run the Group successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.</p> <p>The details for the remuneration of Directors for the financial year ended 31 December 2018 for the Group and Company are as follows:</p> <table border="1"> <thead> <tr> <th>In RM'000</th> <th>Company</th> <th colspan="5">Group</th> <th></th> </tr> <tr> <th>Directors</th> <th>Fees</th> <th>Fees</th> <th>Salary</th> <th>Bonus</th> <th>Meeting/Other Allowances</th> <th>EPF</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Executive Directors</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Datuk Hasmi Bin Hasnan</td> <td>40</td> <td>64</td> <td>-</td> <td>-</td> <td>1</td> <td>-</td> <td>65</td> </tr> <tr> <td>Datuk Ling Suk Kiong</td> <td>385</td> <td>622</td> <td>890</td> <td>281</td> <td>60</td> <td>122</td> <td>1,975</td> </tr> <tr> <td>Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin</td> <td>385</td> <td>578</td> <td>893</td> <td>280</td> <td>60</td> <td>123</td> <td>1,934</td> </tr> <tr> <td>Joe Ling Siew Loung @ Lin Shou Long</td> <td>321</td> <td>321</td> <td>1,070</td> <td>306</td> <td>-</td> <td>147</td> <td>1,844</td> </tr> <tr> <td>Jeanita Anak Gamang</td> <td>72</td> <td>72</td> <td>139</td> <td>57</td> <td>18</td> <td>21</td> <td>307</td> </tr> <tr> <td>Non-Executive Directors</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Ali Bin Adai</td> <td>104</td> <td>104</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>104</td> </tr> <tr> <td>Gordon Kab @ Gudan Bin Kab</td> <td>86</td> <td>86</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>86</td> </tr> <tr> <td>Koh Ek Chong</td> <td>72</td> <td>72</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>72</td> </tr> <tr> <td>Wong Ping Eng</td> <td>72</td> <td>120</td> <td>-</td> <td>-</td> <td>2</td> <td>-</td> <td>122</td> </tr> <tr> <td>Azlan Shah Bin Jaffril</td> <td>72</td> <td>72</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>72</td> </tr> <tr> <td>Total</td> <td>1,609</td> <td>2,111</td> <td>2,992</td> <td>924</td> <td>141</td> <td>413</td> <td>6,581</td> </tr> </tbody> </table>								In RM'000	Company	Group						Directors	Fees	Fees	Salary	Bonus	Meeting/Other Allowances	EPF	Total	Executive Directors								Datuk Hasmi Bin Hasnan	40	64	-	-	1	-	65	Datuk Ling Suk Kiong	385	622	890	281	60	122	1,975	Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin	385	578	893	280	60	123	1,934	Joe Ling Siew Loung @ Lin Shou Long	321	321	1,070	306	-	147	1,844	Jeanita Anak Gamang	72	72	139	57	18	21	307	Non-Executive Directors								Ali Bin Adai	104	104	-	-	-	-	104	Gordon Kab @ Gudan Bin Kab	86	86	-	-	-	-	86	Koh Ek Chong	72	72	-	-	-	-	72	Wong Ping Eng	72	120	-	-	2	-	122	Azlan Shah Bin Jaffril	72	72	-	-	-	-	72	Total	1,609	2,111	2,992	924	141	413	6,581
In RM'000	Company	Group																																																																																																																														
Directors	Fees	Fees	Salary	Bonus	Meeting/Other Allowances	EPF	Total																																																																																																																									
Executive Directors																																																																																																																																
Datuk Hasmi Bin Hasnan	40	64	-	-	1	-	65																																																																																																																									
Datuk Ling Suk Kiong	385	622	890	281	60	122	1,975																																																																																																																									
Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin	385	578	893	280	60	123	1,934																																																																																																																									
Joe Ling Siew Loung @ Lin Shou Long	321	321	1,070	306	-	147	1,844																																																																																																																									
Jeanita Anak Gamang	72	72	139	57	18	21	307																																																																																																																									
Non-Executive Directors																																																																																																																																
Ali Bin Adai	104	104	-	-	-	-	104																																																																																																																									
Gordon Kab @ Gudan Bin Kab	86	86	-	-	-	-	86																																																																																																																									
Koh Ek Chong	72	72	-	-	-	-	72																																																																																																																									
Wong Ping Eng	72	120	-	-	2	-	122																																																																																																																									
Azlan Shah Bin Jaffril	72	72	-	-	-	-	72																																																																																																																									
Total	1,609	2,111	2,992	924	141	413	6,581																																																																																																																									
Explanation for :																																																																																																																																

departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board shall continue with the practice of ensuring confidentiality of the remuneration of its employees for the best interest of the Group in mind, taking into consideration the sensitivity, security and issue of staff morale.	
<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 ("AC") is chaired by Mr Koh Ek Chong who is an Independent Non-Executive Director, while the Chairman of the Board is Datuk Hasmi Bin Hasnan, the Executive Chairman.</p> <p>This is to ensure that the objectivity of the Board's review of the AC's findings and recommendations are not impaired.</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	:	<p>The Company has always recognised the need to uphold independence. None of the members of the Board were former key audit partners of the External Auditors.</p> <p>As such, there was no need to establish such a policy presently. The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a former key audit partner.</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 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The assessment on the suitability, objectivity and independence of the external auditors is conducted annually to recommend its re-appointment.</p> <p>In the fourth quarter of 2018, the External Auditors, Messrs. KPMG presented to the Audit Committee (AC), a review of its 2018 Audit Plan which outlined its engagement team, audit timeline, the areas of audit emphasis and their focus on audit matters. This formed part of AC's yearly assessment of KPMG to decide whether or not to recommend to the Board for shareholders' approval on the re-appointment of external auditors at the forthcoming 13th Annual General Meeting (AGM).</p> <p>In February 2019, KPMG in its presentation of the audit status to the AC provided their assurance of their independence in accordance with the terms of all the relevant professional and regulatory requirements in respect of the audit of the Financial Statements of the Group for the financial year 2018.</p> <p>AC was satisfied with the suitability of audit, performance, competency and sufficiency of resources the external audit team provided to the Group and the Board had on 10 April 2019 approved the AC's recommendation for the shareholders' approval to be sought at the 13th AGM for the re-appointment of KPMG as external auditors of the Group for the financial year 2019.</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 an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises solely of four (4) Independent Non-Executive directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman and members of the Audit Committee (AC) are financially literate, have sufficient understanding of the Group's business and commercial expertise skills required to discharge their roles and responsibilities effectively.</p> <p>The AC members are expected to undertake appropriate continuing education programmes to ensure that they are abreast of relevant developments and enable them to sustain active participation during deliberations.</p> <p>All Audit Committee members will continue to attend relevant conferences, seminars and training programmes to keep themselves abreast of relevant developments in accounting standards, practices and rules as and when required.</p> <p>The Board is satisfied with the AC's performance as its Chairman and members have the necessary knowledge, experience and skills to carry out their duties which contributed to the overall effectiveness of the AC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

A

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its responsibility and is committed in maintaining a sound system of internal control and risk management practice. However such system is designed to manage rather than eliminate risks and thus the system can only provide reasonable but not absolute assurance against occurrence of any material misstatements, losses or fraud.</p> <p>The Board has established an effective risk management and internal control framework for managing risks affecting its business and operations as set out in the Statement on Risk Management and Internal Control (SORMIC). A structured process has been set up to identify and assess risks arising from the Group's operations through the use of risk impact and risk matrix as a guide for actions to be taken for each type of risk.</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

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 via the Risk Management Committee (RMC) oversees the risk management matters of the Group including identifying, managing, monitoring and mitigating significant risks.</p> <p>The Board is updated on the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis.</p> <p>The Audit Committee (AC) evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing actions identified in reports provided by the Internal and External Auditors. The AC also reviews the internal and external auditors' recommendation and management responses to these recommendations to ensure that they are attended to promptly and implemented accordingly.</p> <p>The features of the Company's risk management and internal control framework are available in the Statement on Risk Management and Internal Control in the Company's 2018 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 9.3 - 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	:	<p>The Company has a Risk Management Committee ("RMC") has four (4) members comprising of three (3) Executive Directors and one (1) Independent Director assisting the Audit Committee and the Board in discharging its risk management and control responsibilities. The RMC is led by the Independent Director.</p> <p>The RMC with the support from the in-house internal audit team, has assisted the Board in fulfilling its oversight functions in risk governance by establishing a sound internal control and risk management framework to manage the various risks faced by the Group.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Dayang Group has established an in-house Internal Audit Department (IAD) which reports directly to the Audit Committee (AC) to assist the AC in the discharge of its duties and responsibilities.</p> <p>The role of the IAD is to provide independent, objective reports and assessment on the organisation's management, records, accounting policies and controls to the AC.</p> <p>The IA function undertakes an independent assessment on the internal control system of the Group and reports to the AC on a quarterly basis. The IA provides an assurance to the AC any significant risks are identified, assessed and managed. Such audits also ensure that instituted controls are appropriated, effectively applied and achieve acceptable risk exposures consistent with the Group's Risk Management and Internal Control Framework.</p> <p>The Senior Internal Auditor is invited to attend AC meetings to facilitate deliberation of audit reports. All IA engagements are carried out based on the Annual Audit Plan approved by the AC. IA conducts follow-up audits to ensure that corrective actions and recommendations were implemented appropriately.</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

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 independence of the internal audit function is derived from its direct reporting and unencumbered access to the Audit Committee.</p> <p>To accomplish its primary objectives in examining and evaluating whether the Group’s internal control and governance process is adequate and functioning properly, the internal auditors are authorised to have full and unrestricted access to the Group’s operations, activities, information, records, properties and personnel at any time.</p> <p>The Internal Audit Department (IAD) has 3 staff who possess tertiary qualifications and is led by Ms Tey Lay Shiang as the Senior Internal Auditor. She holds a Bachelor degree in Accounting (Honours) and is a member of the Association of Chartered certified Accountants (UK).</p> <p>The responsibilities of the IAD include developing the annual audit plan execution and reporting the audit results for the Group. As such, the IAD:</p> <ul style="list-style-type: none">- prepares the detailed Annual Audit Plan for submission to the Audit Committee for approval- carries out all activities to conduct the audits in accordance with the audit plan- discussions of audit finding and recommendations for improvement and implementation with the respective departments audited and- submits quarterly reports to the Audit Committee <p>The IAD reports to the Audit Committee on the follow-up audits on the status of implementation on the recommendations. The regular monitoring is to ensure the integrity and effectiveness of the Group’s system of internal control.</p>

Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application :	Applied
Explanation on application of the practice :	<p>The Board recognises the importance of an effective communication channel between the Board, shareholders and various stakeholders. The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.</p> <p>The Annual General Meeting is the principal forum for dialogues with shareholders. General Meetings are important platforms for Directors to engage shareholders to facilitate greater understanding of the Company's governance, performance and address their concerns. At the AGM, the Chairman encourages active participation from the shareholders during the Questions and Answers session to clarify their concerns.</p> <p>Investor relations activities such as meetings with fund managers, analysts, institutional shareholders and investors are attended to by the Managing Director and Head of Corporate Affairs.</p> <p>The Group maintains a website at www.desb.net for shareholders and the public to access information in respect of the Group's background and business, Board and Management, corporate governance, terms of reference and financial performance for easy reference.</p> <p>As there may be instances where investors and shareholders may prefer to express their concerns to an Independent Director, Mr Koh Ek Chong continues to play his role as the Independent Director of the Board to whom concerns may be conveyed. Mr Koh is also the Chairman of the Audit Committee of the Board and a member of the Joint Remuneration and Nomination Committee.</p> <p>His email contact is kohekchong@hotmail.com.</p>
Explanation for departure :	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not categorised as a “Large Company” as defined in the Malaysian Code of Corporate Governance and hence has not adopted integrated reporting based on a globally recognised framework.	
		However, the Company would consider adopting the integrated reporting based on a globally recognised framework, when necessary.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Notice of Annual General Meeting (AGM) to shareholders is dated 23 April 2019 which is 28 days' notice for holding the Company's AGM on 22 May 2019. This goes above and beyond the 21 days' requirement under Section 316(2) of the Companies Act 2016 and Paragraph 7.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Notice of AGM outlines the resolutions to be tabled at the said meeting and is accompanied with explanatory notes where applicable to enable shareholders to make informed decisions 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	:	Departure	
Explanation on application of the practice	:	<p>All Directors attended the Company's 12th Annual General Meeting (AGM) in 2018 except for Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin who was away due to his prior commitment overseas.</p> <p>The Chairman of Audit Committee, Joint Remuneration & Nomination Committee and Risk Management Committee as well as the External Auditors were present at the AGM and were available to respond to shareholders queries.</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	:	<p>The location of General Meetings has always been held in Miri, the registered and business place of the Company which is accessible to shareholders.</p> <p>Shareholders who wish to attend Annual General Meeting (“AGM”) are given at least 28 days to ensure that shareholders are able to make the necessary arrangements to attend general meeting, review agenda items, and formulate questions, if any.</p> <p>A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf, if they are not able to attend.</p> <p>The Board will monitor the development in respect of the use of new technologies to facilitate the conduct of general meetings in the market for future consideration.</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	:	

**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.

Click here to enter text.