

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0131  
**COMPANY NAME** : Diversified Gateway Solutions Berhad  
**FINANCIAL YEAR** : June 30, 2019

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE 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>	:	<p>The Board of Directors (the "Board") of Diversified Gateway Solutions Berhad ("DGSB" or the "Company") is responsible for the overall governance of the Company and its subsidiaries (collectively known as the "Group") by ensuring that the strategic guidance and succession plan of the Group, the effective monitoring of management goals, accountability to the Group and shareholders, as well as ensuring that the Group's internal controls, risk management and reporting procedures are in place.</p> <p>The Board members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied, through compliance with the relevant rules and regulations, directives and guidelines. The Board members are attentive in applying high ethical standards in their decision-making, taking into account the interests of all stakeholders.</p> <p>The Board has a formal schedule of matters reserved to itself for decision. The core responsibilities of the Board include reviewing and approving the Group's business strategies and plans, significant policies and monitoring the Management's performance in implementing them.</p> <p>The duties and responsibilities of the Board are clearly set out in the Board Charter which is available on the Company's website at <a href="http://www.dgsbgroup.com">www.dgsbgroup.com</a> ("Website").</p> <p>The Board has delegated some of its responsibilities to the Board Committees, namely Executive Committee ("EXCO"), Audit and Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). The roles and responsibilities of the</p>

	Board Committees which had been delegated by the Board are set out in the respective Terms of References of the Board Committees.	
<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 1.2

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>	:	<p>Dato' Mah Siew Kok, the former Chairman of DGSB, retired on 5 September 2018 and Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP was appointed as Chairperson in place thereof on 8 October 2018.</p> <p>The Chairperson presides over meetings of Directors and provides leadership to the Board in the effective discharge of its fiduciary duties. The Chairperson is required, amongst others, to undertake the following responsibilities:</p> <ul style="list-style-type: none"><li>• Ensuring that proper and good corporate governance is undertaken by the Company and the Group;</li><li>• Ensuring compliance with all relevant regulations and legislation;</li><li>• Ensuring the Board is in full control of the Company's affair;</li><li>• Ensuring all relevant issues are discussed at the meetings;</li><li>• Ensuring that all Directors, more particularly the Non-Executive Directors receive timely relevant information on financial and non-financial matters to enable them to participate actively in the Board's decisions;</li><li>• Ensuring that the Executive Directors look beyond their executive duties and accept their full share of responsibilities of governance; and</li><li>• Monitoring the performance of and advise and support the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO").</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>	:	<p>The Board recognises the importance of having a clearly accepted division of function and responsibilities of the roles of Chairperson and CEO to ensure a balance of power and authority. The roles and responsibilities of the Chairperson and CEO are clearly established and set out in the Board Charter. Such division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.</p> <p>The Chairperson of DGSB is Y.A.M. Tengku Aishah. Meanwhile, the position of CEO of the Company is vacant as at the date of this report. The role of the CEO is currently undertaken by the Executive Director of the Company.</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

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>In discharging the Board's duties and oversight function, Directors have unrestricted access to the services of the Company Secretaries. The office of the Company Secretaries is jointly held by Ms. Chow Yuet Kuen (MAICSA 7010284) and Ms. Lau Fong Siew (MAICSA 7045893).</p> <p>As members of the Malaysian Institute of Chartered Secretaries and Administrator ("MAICSA"), the Company Secretaries are qualified and well-positioned to undertake the role. Both Ms. Chow and Ms. Lau fulfil requirements on qualifications of company secretaries as enshrined in Section 235(2) of Companies Act 2016.</p> <p>The Companies Secretaries provide advice to the Board on corporate governance matters and assist the Board in ensuring compliance with the latest regulatory requirements. As members of a professional body, the Company Secretaries attend regular trainings and seminars to keep themselves abreast of the latest developments in the corporate governance realm.</p> <p>The Company Secretaries have attended and facilitated all Board meetings and selected Board Committees meetings. In fulfilling their role, the Company Secretaries have ensured the timely and accurate record keeping of meeting minutes, which contain detailed proceedings of Board and Board Committee 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> :		
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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 1.5

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>	:	<p>The annual meeting calendar which includes scheduled dates for the meetings of the Board, Board Committees and Annual General Meeting is prepared and circulated to the Board in advance.</p> <p>Notice of Board or Board Committee meeting, which includes a formal meeting agenda, is distributed to Directors in a timely manner prior to the respective meeting. The notice of meeting is accompanied by the relevant Board papers such as Board Committee Reports, relevant regulatory materials, any significant acquisitions and disposals and financial reports. In preparing the Board papers, Management is mindful in ensuring that they are presented in a concise and cogent manner to allow Directors to decipher and dissect the information efficiently.</p> <p>The minutes of the meetings recorded the key deliberations and decisions of the Board and Board Committees, including dissenting votes and abstention, if any. The said minutes would be confirmed and signed by the respective Chairman at the next meetings of the Board and Board Committees. The signed minutes are properly kept in the minutes books of the Company.</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 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>	:	<p>The Board Charter serves as a prime reference for the Board members of their fiduciary duties as directors of the Company. It provides guidance and clarity regarding the roles and responsibilities of the Board and Board Committees, the requirements of Directors in carrying out their roles and discharging their duties towards the Company as well as the Board's operating practices.</p> <p>The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board Charter is accessible to stakeholders and the general public via the Company's Website.</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

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>	:	<p>The Board has formulated and adopted a Code of Ethics and Conduct ("Code") which sets out the principles and standards of business ethics and conduct to be observed by all Directors and employees (including full time,probationary, contract, part time and temporary staff) of the Group.</p> <p>The Board reviews the Code periodically to ensure it continues to remain relevant and appropriate. The Code is publicly made available on the Company's Website.</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

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>	:	<p>In line with good corporate governance practices and with the introduction of the Whistleblower Protection Act 2010, a Whistleblowing Policy was established by the Group to encourage its employees and stakeholders (“Whistleblower”) to report any wrongdoings on the part of employees, management, Directors and vendors in particular with respect of their obligation to the Group’s interest. It affords an avenue to provide and facilitate a mechanism for any Whistleblower to report concerns about any suspected and/or known wrongdoing.</p> <p>The Whistleblowing Policy is subjected to a periodic review by the Board and is available for reference at the Company’s Website.</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

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of DGSB comprises six (6) members as follows:-</p> <ul style="list-style-type: none"><li>➤ Four (4) Independent Non-Executive Directors;</li><li>➤ One (1) Non-Independent Non-Executive Director; and</li><li>➤ One (1) Executive Director.</li></ul> <p>Based on the above, the Board has complied with the requirements to have at least half of the Board comprises independent directors and exceeds the 1/3 requirement of the ACE Market Listing Requirements.</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

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> :	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b> :		
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The tenure of Independent Directors is limited to nine (9) years from the date when the Independent Director was first appointed to that position, as set out in DGSB' Board Charter which is available for reference at the Company's Website.</p> <p>An Independent Director, who has served the Company for more than nine (9) years, may continue to serve the Company in the capacity of a Non-Independent Director.</p> <p>Should the Board decides to retain a Director as Independent Director after the latter has served a cumulative term of nine (9) years, justification shall be made following an evaluation process of the Director's independence and to seek shareholders' approval annually.</p>

## 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>	:	<p>The Nominating Committee (“NC”) established by the Board is responsible for screening, evaluating and recommending suitable candidates to the Board, for appointments as Directors as well as filling the vacant seats of the Board Committees.</p> <p>In evaluating the suitability of candidates, the NC considers the following factors before recommending to the Board for appointment:-</p> <ul style="list-style-type: none"><li>➤ Skills, knowledge, expertise and experience;</li><li>➤ Time commitment to effectively discharge his/her role as a Director;</li><li>➤ Character, integrity and competence; and</li><li>➤ In the case of candidates for the position of INEDs, the NC shall also evaluate the candidates’ ability to discharge such responsibilities/functions as expected from INEDs.</li></ul> <p>The effectiveness of the Board is assessed in the areas of the Board’s responsibilities and composition, contribution and performance, administration and conduct, interaction and communication with Management and Board engagement.</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

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the need for gender diversity for good governance practices and to enhance the efficient functioning of the Board.</p> <p>The Board believes that while it is important to promote gender diversity, it decided not to set specific targets to fill the quota gender diversity. Rather, the selection criteria of a Director will be based on an effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board.</p> <p>Currently, there are two (2) female Directors on the Board of DGSB, representing 33.33% of the total Board members.</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

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>	:	<p>During the financial period ended 30 June 2019, the following Directors were appointed:-</p> <table border="1"><thead><tr><th>No.</th><th>Director</th><th>Appointment Date</th></tr></thead><tbody><tr><td>1.</td><td>Dr. Tang Pen San <i>Independent Non-Executive Director</i></td><td>16 April 2018</td></tr><tr><td>2.</td><td>Chow Seck Kai <i>Independent Non-Executive Director</i></td><td>16 April 2018</td></tr><tr><td>3.</td><td>Wan Mai Gan <i>Independent Non-Executive Director</i></td><td>16 April 2018</td></tr><tr><td>4.</td><td>Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP <i>Independent Non-Executive Chairperson</i></td><td>8 October 2018</td></tr></tbody></table> <p>In identifying new Board members, the Board seeks recommendations for candidates from the existing Board members, Management and major shareholders. The Board will ensure that the recommended candidates are suitable and of sufficient calibre before recommending their appointment to the Board.</p>	No.	Director	Appointment Date	1.	Dr. Tang Pen San <i>Independent Non-Executive Director</i>	16 April 2018	2.	Chow Seck Kai <i>Independent Non-Executive Director</i>	16 April 2018	3.	Wan Mai Gan <i>Independent Non-Executive Director</i>	16 April 2018	4.	Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP <i>Independent Non-Executive Chairperson</i>	8 October 2018
No.	Director	Appointment Date															
1.	Dr. Tang Pen San <i>Independent Non-Executive Director</i>	16 April 2018															
2.	Chow Seck Kai <i>Independent Non-Executive Director</i>	16 April 2018															
3.	Wan Mai Gan <i>Independent Non-Executive Director</i>	16 April 2018															
4.	Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP <i>Independent Non-Executive Chairperson</i>	8 October 2018															
<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>	:	<p>The Nominating Committee (“NC”) is chaired by Ms. Wan Mai Gan, an Independent Non-Executive Director of DGSB.</p> <p>The Board is cognisant that an effective evaluation, recruitment and remuneration process of Directors is essential for a high performing Board and therefore views that Ms. Wan, who is an Independent Director is suitably qualified to lead the conduct of the Nominating Committee in an effective and objective manner.</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

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>	:	<p>The Nominating Committee ("NC") is responsible for the Board effectiveness evaluation exercise, covering the Board, Board Committees and individual Directors, including independent Directors.</p> <p>Based on the annual review carried out by the NC, the NC was satisfied that the existing size and composition of the Board and Board Committees had fulfilled the criteria required and possess a right blend of knowledge, experience and the appropriate mix of skills for the Board and Board Committees to carry out their responsibilities in an effective and competent manner as well as independently and objectively in the interest of the investors and shareholders of the Company. The independent Directors were assessed to be objective and independent in exercising their judgement.</p> <p>The Board effective evaluation for the financial period ended 30 June 2019 was conducted internally and facilitated by the Company Secretaries through the designed evaluation forms.</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

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>	:	<p>The Board has established a Director Remuneration Policy as the Company desires to continue to focus on the ongoing improvement and full alignment of the policy with good governance recommendations generally recognised in the markets in the area of director remuneration, adjusting them to the specific needs and circumstances of the Company.</p> <p>The objective of the Director Remuneration Policy is to attract and retain Directors of the calibre needed to lead the Group successfully.</p> <p>The remuneration of the Executive Director is structured as as to link rewards to corporate and individual performance. In the case of the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.</p> <p>The Remuneration Committee ("RC") reviews and recommends to the Board the remuneration package of the Executive Director. It is the responsibility of the entire Board to approve the remuneration of the Executive Director. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. The Executive or Non-Executive Directors play no part in the decision making with regard to their own remuneration.</p> <p>The Director Remuneration Policy is available for reference at the Company's Website.</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

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 RC consists of three (3) members with a majority of them being Independent Directors.  The duties and responsibilities of the RC are set out in the Terms of Reference of the RC which is available on the Company's Website.
<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> :	The detailed disclosure on named basis for the remuneration of individual Directors, including fees, salary, bonus, benefits in-kind and other emoluments is included in the Corporate Governance Overview Statement of the Annual Report 2019.	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the view that the disclosure of the Senior Management's remuneration on named basis would not be in the best interest of the Group given the competitive human resource environment for personnel with requisite knowledge, expertise and experience in the Company's business activities, where poaching by recruitment service provider has become common now.</p> <p>The Board believes that the non-disclosure of remuneration of the five senior management personnel who are not Directors of the Company will not prejudiced the interest of the shareholders of the Company.</p> <p>The profiles of Key Management Personnel are set out in the Annual Report 2019.</p>
<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 Audit and Risk Management Committee ("ARMC") is chaired by Mr. Chow Seck Kai, an Independent Non-Executive Director who 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 ARMC were former key audit partners of any external audit firms within the cooling-off period of two (2) years before appointed as a member of ARMC.  The Board would review the Terms of Reference of ARMC to include the requirement of a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC to be in line with the Malaysian Code on Corporate Governance.
<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>	:	<p>The Board, through the ARMC has maintained an appropriate, formal and transparent relationship with the external auditors and has adopted an External Auditors Independence Policy to ensure that audit independence is maintained.</p> <p>The External Auditors Independence Policy is available at the Company's Website.</p> <p>The ARMC reviewed and assessed the independence of its external auditors annually at the time the external auditors present its annual audit plan. The external audit engagement partner is required to rotate at least once every five (5) years.</p> <p>The ARMC also reviewed the performance of the external auditors on an annual basis after completion of the year-end audit. The ARMC evaluated the effectiveness of external auditors based on a number of criteria including but not restricted to:-</p> <ul style="list-style-type: none"><li>➤ The overall comprehensiveness of the external audit plan;</li><li>➤ The timeliness and quality of communications promised under the plan and delivered during the audit;</li><li>➤ The competency and industry knowledge of external audit staff; and</li><li>➤ The adequacy of resources to achieve the scope as outlined in the audit plan.</li></ul> <p>The ARMC was satisfied with the suitability, objectivity and independence of the external auditor, Messrs Grant Thornton Malaysia ("GTM") throughout the conduct of the audit process and has made its recommendation to the Board on the re-appointment of GTM as the auditors of the Company for the ensuing year.</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 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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The ARMC of DGSB comprises solely of 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of ARMC collectively possess the necessary skills and knowledge to meet their responsibilities and to discharge their duties. Mr. Chow Seck Kai, the Chairman of ARMC, is a Fellow of the Institute of Public Accountants, Australia.</p> <p>All members of ARMC have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as detailed in the Directors' training session of the Corporate Governance Overview Statement in the Annual Report 2019.</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 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 affirms its responsibilities for the Group's system of internal control, which includes the establishment of an effective control environment and appropriate internal control framework as well as review its adequacy and integrity. This system is designed to identify and manage risk facing the business and covers financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets.</p> <p>The Group has in place a risk management framework which incorporates, amongst others, a structured process of identifying, evaluating and prioritising risks, as well as clearly defining the risk responsibilities and escalation process of significant risks and Enterprise Risk management oversight framework.</p> <p>The ARMC, as the Board's delegate, is responsible for providing oversight on the Group's risk management and internal control framework and for reporting to the Board in a timely manner on the key risks facing the Group, changes to the risk profile as well as action plans to manage the risks.</p> <p>Detailed disclosure on the Group's risk management and internal control framework is narrated in the Statement on Risk Management and Internal Control contained within the Annual Report 2019.</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> :		
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## 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 Board has provided detailed disclosure on the features of the Group's risk management and internal control framework together with an assessment of its adequacy and effectiveness in the Statement on Risk Management and Internal Control contained within the Annual Report 2019.  The Statement amongst others articulates the varying responsibilities for risk management across the different levels of employees as well as information pertaining to the internal audit function.	
<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>	:	The ARMC is entrusted with the responsibility of overseeing risk management framework and policies.

## 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>	:	The internal audit functions of the Group is outsourced to a professional firm of auditors, Messrs Crowe Governance Sdn Bhd. The outsourced Internal Auditor performs its functions with impartiality, proficiency and due professional care. It undertakes regular monitoring of the Group's key controls and procedures, which is an integral part of the Group's system of internal control.  The internal audit reports are presented to the ARMC for review and deliberation. The ARMC is briefed on the progress made in respect of each recommendations, and of each corrective measure taken as recommended by the audit findings. The internal auditors report directly to the ARMC to ensure independence.	
<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>	:	The outsourced internal auditor, Messrs Crowe Governance Sdn Bhd confirmed that they are free from any relationships or conflict of interest that could impact their subjectivity and independence. There are at least 3 internal audit staff assigned to the conduct of internal audit within the Group. The outsourced internal audit team is lead by Mr. Amos Law, a Certified Internal Auditor, Certification in Risk Management Assurance, who is also a Chartered Member of The Institute of Internal Auditors Malaysia. He holds a Bachelor Degree in Accountancy & Finance from Heriot-Watt University. The internal audit function is carried out and guided by the International Professional Practices Framework issued by IIA Inc.
<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 acknowledges the importance of effective, transparent, regular communication and proper dissemination of information to its shareholders and other stakeholders. The Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to the shareholders.</p> <p>Shareholders and members of the public may also obtain information on the Group's operations and activities, as well as press releases, announcements and financial information and etc. from the Company's Website.</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 Company has not adopted integrated reporting for the financial period ended 30 June 2019 as DGSB is not categorised under "Large Companies" as defined in the MCCG.	
		The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company's financial and non-financial information.	
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company Secretaries, by order of the Board, serve notice of AGM to all shareholders of the Company at least 28 days prior to AGM to provide the shareholders sufficient time to consider the proposed resolutions.  The forthcoming 14 <sup>th</sup> AGM of the Company will be convened on 21 November 2019. The Notice of AGM is sent to the shareholders on 23 October 2019 which is more than 28 days prior to the 14 <sup>th</sup> AGM.	
<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**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	All members of the Board attended the last Annual General Meeting (“AGM”) held on 5 September 2018. The members of the Board, the Board Committees and the senior management were in attendance to respond to the shareholders’ questions and queries with the presence of the external auditors.	
<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

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>	:	Departure	
<b>Explanation on application of the practice</b>	:	<p>The forthcoming 14<sup>th</sup> AGM will be held at Dewan Berjaya, Bukit Kiara Equestrian &amp; Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur.</p> <p>The Company had always conducted its general meetings in the Klang Valley at locations which are accessible by the shareholders. It is currently not cost effective or practical for the Company to leverage on technology to facilitate shareholders' voting in absentia or having remote shareholders' participation at general meetings.</p> <p>The shareholders are entitled to appoint any person(s) as their proxies to attend, participate and vote in his/her/their stead at a general meeting.</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>	:	The Board will monitor the development of this practice in the marketplace for future consideration.	
<b>Timeframe</b>	:	Others	This will be reviewed on annual basis towards the application of Practice 12.3 of MCGG.