

## STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF EKOVEST BERHAD (“THE BOARD”) IS PLEASED TO REPORT THAT FOR THE FINANCIAL YEAR UNDER REVIEW, THE BOARD CONTINUED TO APPLY GOOD GOVERNANCE PRACTICES IN MANAGING AND DIRECTING THE BUSINESS OF THE GROUP BY ADOPTING THE PRINCIPLES AND THE BEST PRACTICES PRESCRIBED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (“MCCG 2012”) AS ISSUED BY THE SECURITIES COMMISSION MALAYSIA (“SC”). THE OBJECTIVE IS TO PROTECT AND ENHANCE SHAREHOLDERS’ VALUE AND THE FINANCIAL PERFORMANCE OF THE GROUP.

### PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

#### BOARD’S ROLES AND RESPONSIBILITIES

The objective of the principles stated in the MCCG 2012 sets out the fundamental structures for effective functioning of the board. Towards this end, the Board has formalized its terms of reference in its Board Charter outlining the fundamental structure and functions of the Board. The Board Charter is available in our Groups website at [www.ekovest.com.my](http://www.ekovest.com.my) for stakeholders’ information.

Principally, the responsibilities of the board cover the areas of strategic plan, risk management, succession planning, investor relation and system of internal control of the Group. The Board acknowledges these responsibilities for directing and ensuring the Group is properly managed and continuously improves its performance. The Board delegates certain responsibilities to Board Committees operating within defined terms of reference to assist the Board in the execution of its duties and responsibilities. The respective Committees report to the Board on matters discussed and deliberated and makes recommendations to the Board for final decision. The Board Committees include the Audit Committee, Remuneration Committee and Nomination Committee.

#### ETHICS AND CODES

The Board is fully supportive of the principles of its Corporate Code of Conduct and expects the Company and its employees to uphold the same principles in its business activities.

#### SUPPLY OF INFORMATION

It is recognised that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of the business and to evaluate the management performance of the Group.

The Directors have full and unrestricted access to all information pertaining to the Group’s business and affairs, including amongst others, major financial, operational and corporate matters as well as activities and performance of the Company. The agenda and Board papers containing information relevant to the business of Board meeting are circulated to Board members prior to each meeting to allow sufficient time for the Director to review, consider and obtain further explanations before the meeting, where necessary, on the issues to be discussed.

All Directors have unrestricted access to the advice and services of the Company Secretary and senior management and may seek independent professional advice, at the Company’s expense, when necessary, in furtherance of their duties. External advisers may also be invited to relevant Board meetings to furnish the Board with explanations and comments on the relevant agenda items tabled at Board meetings or to provide clarification on issues that may be raised by any Directors.

The Chairman of the Audit Committee would report the outcome of the committee meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE 2: STRENGTHEN COMPOSITION OF THE BOARD

#### BOARD COMPOSITION AND INDEPENDENCE

The current composition of the Board comprises of highly qualified and experienced individuals and their combined expertise and business experience provides insights and diversity of perspective to lead and guide the Group in an increasing complex and competitive business environment. The profiles of the members of the Board are set out on pages 30 to 33 of this Annual Report.

As at the date of this statement, the Board has nine (9) members comprising of an Executive Chairman, a Managing Director, two (2) Executive Directors and five (5) Independent Non-Executive Directors. We had also appointed three (3) Alternate Directors. In this regard, the Board's composition complies with paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") whereby at least one-third (1/3) of the Board to be independent. Further, as our Board is headed by an Executive Chairman, the Board is currently represented by majority of Independent Non-Executive Directors (5/9) which provides unbiased, objective and independent view, advice and judgment to ensure proper check and balance in the Board. The Board will also conduct annual assessment on the independence of its Independent Directors focusing on events that would affect their ability to continue to bring in independent and objective judgment during board deliberation.

In addition, the Board recognises the importance of gender diversity in the Board and encourages female participation in the Board. Presently, the Board has three (3) female members, which makes up of one third (1/3) of the Board composition.

The Company has on 25 August 2016, received a Certificate of Appreciation from The Government of Malaysia, Ministry of Women, Family and Community Development for achieving the target of at least 30 percent women on Board in public listed companies.

#### BOARD COMMITTEES

To assist the Board in the discharge of its oversight function, the Board has delegated certain responsibilities to Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. These Committees ensure greater objectivity and independence are provided in the deliberations of specific agenda. The Chairman of the respective Board Committees would report to the Board during the Board meetings on matters deliberated in the respective Committees together with its recommendation. The ultimate responsibility for the final decision on all matters, however, rest with the entire Board.

##### Audit Committee

The composition, terms of reference and summary of the Audit Committee activities during the financial year are set out separately in the Audit Committee Report on page 46 to 48 of this Annual Report.

##### Nomination Committee

The Nomination Committee comprise of 5 Independent Non-Executive Directors and the members of the Nomination Committee as at the date of this statement are as follows:

**Ms Kang Hui Ling** Chairman (Senior Independent and Non-Executive)

**Ms Lim Ts-Fei** Director (Independent and Non-Executive)

**Dr Wong Kai Fatt** Director (Independent and Non-Executive)

**Mr Chow Yoon Sam** Director (Independent and Non-Executive)

**Mr Lee Wai Kuen** Director (Independent and Non-Executive)

## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE 2: STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### BOARD COMMITTEES (CONT'D)

##### Nomination Committee (Cont'd)

The terms of reference of the Nomination Committee are as follows:-

- Develop, maintain and review the criteria to be used in the recruitment of Directors and annual appraisal of Directors, Board Committee and Board as a whole;
- Assess and recommend to the Board the candidature of directors and appointment of Directors to Board Committees based on the individual and the Directors' competencies, commitment, contribution and performance;
- Facilitate Board induction and training programmes;
- Review the boardroom diversity and encourage female participation in the Board;
- Develop the criteria to assess independence and apply these criteria upon admission, annually and when any new interest or relationship develops;
- Examine and review the Board structure, size and composition with a view to present recommendations to the Board on the optimum number of Directors on the Board to ensure its effectiveness and to comply with regulatory requirements; and
- Recommend, if necessary, the service and employment contracts of Executive Directors including their job descriptions & terms of reference.

All Directors shall abstain when matters affecting their own interests are discussed.

During the financial year under review, the Nomination Committee has carried out a review on the composition of the Board and the profile of each Director. The Nomination Committee has also carried out an assessment of the Board, Board Committees and individual Directors in relation to their performance and contribution towards meeting the needs of the Company. The evaluation took into consideration the competency, experience, character, integrity and time availability, including the mix of skills, of the Directors concerned. Finally, the Nomination Committee has reviewed the training needs of the Directors to ensure that they are acquainted with the latest development and changing environment in which the Company's operates.

##### Remuneration Committee

The Remuneration Committee comprise of 5 Independent Non-Executive Directors and the members of the Remuneration Committee as at the date of this statement are as follows:-

<b>Ms Kang Hui Ling</b>	Chairman (Senior Independent and Non-Executive)
<b>Ms Lim Ts-Fei</b>	Director (Independent and Non-Executive)
<b>Dr Wong Kai Fatt</b>	Director (Independent and Non-Executive)
<b>Mr Chow Yoon Sam</b>	Director (Independent and Non-Executive)
<b>Mr Lee Wai Kuen</b>	Director (Independent and Non-Executive)

## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE 2: STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### BOARD COMMITTEES (CONT'D)

##### Remuneration Committee (Cont'd)

The terms of reference of the Remuneration Committee are as follows:-

- To make recommendations to the Board, the remuneration, fees and other remuneration packages payable to Executive Directors;
- To recommend to the Board any performance related pay schemes for Executive Directors; and
- Assist the Board in ensuring the remuneration of the Directors reflects the responsibility, expertise and commitment of the Director concerned.

The remuneration for the Executive Directors is aligned to individual and corporate performance. All Directors' remunerations are determined by the Board as a whole while fee payable to Directors are subject to shareholders' approval.

Individual Directors do not participate in the deliberation and will abstain in the decision regarding their own remuneration package.

The details of Directors remuneration for the financial year ended 30 June 2016 are disclosed below.

The number of Directors with total remuneration falling into the following different bands is as follows:-

Remuneration (RM)	Band No of Executive Directors	Number of Non-Executive Directors
Up to 50,000	-	5
600,001 to 650,000	1	-
850,001 to 900,000	1	-
1,350,001 to 1,400,000	1	-
2,050,001 to 2,100,000	1	-
<b>Total</b>	<b>4</b>	<b>5</b>

The aggregate remuneration of the Directors categorized into appropriate components is as follows:-

	Company		Group			
	Executive Directors (RM)	Non-Executive Directors (RM)	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)	%
Fees	80,000	100,000	80,000	100,000	180,000	3.57
Salaries	1,200,000	-	3,888,000	-	3,888,000	77.14
Bonuses	300,000	-	390,000	-	390,000	7.74
EPF	144,000	-	466,560	-	466,560	9.25
Estimated value of benefits-in-kind	57,900	-	115,800	-	115,800	2.30
<b>Total</b>	<b>1,781,900</b>	<b>100,000</b>	<b>4,940,360</b>	<b>100,000</b>	<b>5,040,360</b>	<b>100.00</b>

## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE 3: REINFORCE INDEPENDENCE OF THE BOARD

#### BOARD INDEPENDENCE

Independence is important for ensuring objectivity and fairness in Board's decision making.

In order to uphold independence of Independent Directors, the Board has adopted the following recommendation of the Code as Board's policies:-

- Subject to Board's justification and shareholders' approval, tenure of Independent Directors should not exceed a cumulative nine (9) years; and
- Undertake annual assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgment to Board deliberation and the regulatory definition of Independent Directors.

Conventionally, the Executive Chairman, Managing Director and Executive Directors are responsible for the Group business operations while the Non-Executive and Independent Directors play a pivotal role by bringing objective judgment and views into the Board's deliberation and decision making processes. The roles of the Executive Chairman and Managing Director are assumed by different Directors. Ms Kang Hui Ling has been identified as the Senior Independent Non-Executive Director providing another channel of communication for the shareholders.

### PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS

#### BOARD MEETINGS

The Board meets at least every quarter and other meetings are convened as and when necessary. All the proceedings at the Board meetings are properly minuted and confirmed by the Board members before being signed by the Executive Chairman. The Board had devised a schedule of matters that shall be reserved for Board's approval covering, inter alia, the acquisition and disposal of major assets, investment in projects, and corporate exercises which are under the purview of the Bursa Securities or the SC. Matters requiring Board decisions and approval during the intervals between the Board meetings are circulated and approved through circular resolutions.

During the financial year under review, a total of five (5) Board meetings were held and the record of attendances of the Directors is as follows:-

#### Name of Directors

#### Total Meetings Attended

Tan Sri Dato' Lim Kang Hoo	3/5
Datuk Seri Lim Keng Cheng	5/5
Khoo Nang Seng @ Khoo Nam Seng	5/5
Lim Hoe	5/5
Kang Hui Ling	5/5
Lim Ts-Fei	4/5
Chow Yoon Sam	5/5
Dr. Wong Kai Fatt	4/5
Lee Wai Kuen	5/5

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the MMLR.

## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS (CONT'D)

#### TRAINING

Board recognises the needs to attend trainings in order to enhance their skills and knowledge and to keep abreast with the relevant change in laws, regulations and business environment so that they could discharge their duties effectively. During the year, the Company organised a training course titled 'Driving Growth When The Markets Is Contracting' for the benefit of all the Directors and senior management. The Company will continue to organise development and training programmes for the benefit of Directors and in addition, the Directors individually are encouraged to equip themselves on the new developments in the business environment by attending other relevant courses, trade fairs, seminars and conferences.

The Board continues to encourage participation of Directors in various training programmes. In addition, the Directors are regularly updated by the Company Secretary on any changes to the statutory, corporate and regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors. The external auditors also have briefed the Board on changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

### PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### FINANCIAL REPORTING

In presenting the annual audited financial statements and quarterly announcements of the unaudited consolidated financial results to shareholders, the Board has taken reasonable steps to ensure a balance assessment of the Group's financial position and prospects. The integrity of financial reporting are influenced by the competency, quality and integrity of the management in charge of the preparation of financial reports and the competency, suitability and independence of external auditors. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting process and the quality of its financial reporting.

#### RELATIONSHIP WITH EXTERNAL AUDITORS

The Group maintains a transparent relationship with the external auditors in seeking professional advice towards ensuring compliance with applicable financial reporting standards. As part of the Audit Committee review processes, the Audit Committee has obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Annually, the Audit Committee also reviews the appointment, performance and remuneration of the external auditors before recommending them to the shareholders for re-appointment in the AGM.

### PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

#### RISK MANAGEMENT AND INTERNAL CONTROL

Board acknowledges that risk management is an integral part of good governance and that risks are inherent in all business activities. Therefore, the Group's main objective in its risk management framework is to provide a structural means to identify, prioritize and manage the risks involved in all the Group's activities. The Board recognizes that it is impossible to eliminate risk totally but the key to an effective risk management framework is to find the right balance between the cost and benefits of managing and treating risks, and the anticipated returns that will be derived from it.

The Statement on Risk Management and Internal Control is set out in page 43 to 45 of this Annual Report and provides an overview of the state of internal controls within the Group.

## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group values the need and importance of effective and clear communication with shareholders and investors. As such, the Group ensures timely dissemination of information through appropriate communication channels to shareholders and investors to ensure that they are properly informed of major developments of the Group. Such information is communicated to them through the Annual Report and the various disclosures and announcements made to Bursa Securities from time to time. The results of Ekovest Group are also published quarterly via Bursa Securities and these information and documents are accessible at [www.bursamalaysia.com](http://www.bursamalaysia.com). The Company also attends to the requests of analyst and fund managers from time to time.

The Group maintains its website at [www.ekovest.com.my](http://www.ekovest.com.my) and contains essential corporate information of the Group for the interest of the general public. The Group believes that clear and consistent communication with investors promotes better appreciation of the Company's business and activities and allows the Group's business and prospects to be evaluated fairly. The Group has also leveraged on its corporate website to communicate, disseminate and add depth to the governance reporting and information such as the Board charter is available on-line.

### PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDER

#### GENERAL MEETINGS

The Company's general meetings are an important avenue for dialogue with shareholders as it provides them with the opportunity to seek clarification on the Group's strategy, performance and major developments. Board members, senior management and the Group's external auditor as well as the Company's advisers, where relevant, are available to respond to shareholders queries during the AGM or Extraordinary General Meeting, as the case maybe. Notices of each general meeting are issued on a timely manner to all shareholders to ensure that they have sufficient time to prepare and digest issues to be raised during the meeting. As part of our agenda to ensure transparency, all queries received by the Minority Shareholders Watchdog Group are also presented in the general meeting for the benefit of all shareholders. The Board would ensure suitability of venue and timing of meeting and undertake other measures to encourage shareholders' participation in the meetings.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that:

- I. The annual audited financial statements of the Group and of the Company are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable financial reporting standards so as to give a true and fair view of the state of affairs of the Group and of the Company for the financial year under review; and
- II. Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 30 June 2016, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statements with reasonable and prudent judgments and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.