

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0126  
**COMPANY NAME** : MICROLINK SOLUTIONS BERHAD  
**FINANCIAL YEAR** : March 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board of Directors of Microlink Solutions Berhad (MSB and/or the Company) (Board) recognises its responsibilities in leading, monitoring and governing the entire performance of the Company. There is a clear separation of responsibilities between the Board and the Management. Except for matters reserved for shareholders, the Board is the ultimate decision-maker of the Company and is responsible for the oversight of Management's performance.</p> <p>The Board has overall responsibility for the strategic direction of and retains full and effective control over the Company of, amongst others, the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Oversee the conduct of the Company's business and to evaluate whether the business is being properly managed;</li> <li>• Board will direct and supervise the Management in the business and affairs of the Company;</li> <li>• Identify principal risks and ensure the implementation of appropriate systems to manage these risks;</li> <li>• Review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;</li> <li>• Establish an internal audit function;</li> <li>• Ensure succession planning, including appointing, training, fixing the compensation of and where appropriate replacing senior management; and</li> <li>• Delegating powers to committees consisting of such members of their body as they think fit, any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.</li> </ul> <p>The Board's other primary duties are to conduct regular reviews of the Group's business operations and performance and to ensure that</p>

	<p>effective controls and systems exist to measure and manage the principal risks.</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), Remuneration Committee (RC) and Long-Term Incentive Plan Committee (LTIP). The roles and responsibilities of the Board Committees which had been delegated by the Board are set out in respective Board Committees' Terms of Reference.</p> <p>The Board recognises the importance of attracting and retaining key management personnel and as such has made concerted efforts to identify and groom middle management in all key areas as an integral part of the management succession plan. The plan also includes offering a competitive remuneration package and providing training and career development opportunities for employees in all key functions of the Group operations.</p> <p>The duties and responsibilities of the Board have been clearly specified in the Board Charter, which is available on the Company's website at <a href="http://www.microlink.com.my">www.microlink.com.my</a></p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board is chaired by Tun Arifin Bin Zakaria, who is an Independent Non-Executive Chairman who provides leadership and guidance to the Board and is responsible for ensuring effectiveness of the Board's performance. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter.</p> <p>The Chairman is responsible for orderly conduct and proceedings of meetings and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions.</p> <p>On top of that, our Board Chairman shall monitor the performance of and advise and support the Executive Director and Chief Executive Officer.</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 1.3**

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 division of roles and responsibilities of Chairman, ED and Group CEO ensures a balance of power and authority.</p> <p>Generally, the Executive Director (ED) is responsible for the day-to-day operations within the limit of authority entrusted to him. The ED is accountable to the Board and ultimately the shareholders. He is primarily responsible for implementing the policies of the Board, overseeing the Company's operations and attainment of the long-term goals and objectives set by the Board. He liaises with the Group Chief Executive Officer (Group CEO) and the CEOs of the operating subsidiaries on a regular basis on business strategies and opportunities to lead the Management and to drive the Company forward.</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>The Company Secretaries plays an advisory role to the Board on matters pertaining to compliance of procedures, rules and regulatory requirements. The Company Secretaries attends all Board and Board Committees' Meeting and ensures that all meetings are convened in accordance with Board procedures and Terms of Reference of the relevant Board Committees. Deliberations on issues discussed and decisions made at meetings, are properly recorded and kept.</p> <p>The Directors are provided with full and timely information which enables them to discharge their responsibilities. Prior to each Board Meeting, the agenda together with the detailed reports and supplementary papers are circulated to the Directors in advance. This is to enable the Directors to obtain further explanations, where necessary, to be adequately informed before the meeting.</p> <p>Both Company Secretaries of MSB are qualified to act as company secretary pursuant to Section 235(2) of the Companies Act, 2016. They are the Associate member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The responsibilities of the Company Secretary have been specified in the Board Charter.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving statutory and regulatory requirements through continuous training.</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 1.5

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 is prepared and circulated to the Board in advanced. The meeting calendar include scheduled dates for Board, Board Committee and Annual General meetings, as well as the closed periods for dealings in securities by Board members based on the targeted dates of announcements of the Group's quarterly results.</p> <p>Notice of Board meetings are sent to the Board and the Management via email at least seven (7) working days prior to the meeting. The Company Secretaries ensure the meeting papers are send to Board Members as soon as practicable upon receipt the meeting papers from the Management, internal and external auditors. This is to ensure that the Board have sufficient preparation time and information to make an informed decision at each meeting.</p> <p>The deliberations and decisions at Board and Board Committee meetings are recorded in the minutes, including matters where Directors abstained from voting and deliberation.</p> <p>The draft minutes would be sent to the Management, Board and Board Committee members for review and comments, and the Minutes would be confirmed and signed by the respective Chairmen at the next Board and Board Committee Meetings. The signed minutes are properly filed 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 has established a Board Charter as a key point of reference to clarify the roles and responsibilities of the Board. 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 was reviewed by the Board on 17 May 2018 for consistency with the Malaysian Code of Corporate Governance (MCCG) and Companies Act, 2016.</p> <p>The Board Charter is available for reference at the Company's website <a href="http://www.microlink.com.my">www.microlink.com.my</a>.</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 had formulated and adopted a code of ethics and conduct symbiotically with the Corporate Values of the Company of <i>Integrity, Learning, Adaptability and Teamwork</i>. By living the Corporate values of the Company through the Code of Ethics and Conduct, the Company creates a culture in which people act as a team, working together toward common goals of the Company.</p> <p>The Code of Ethics and Conduct is applicable to all Directors and employees (including full time, probationary, contract, part time and temporary staff) of the Group.</p> <p>The Code of Ethics was reviewed by the Board on 17 May 2018 and is available for reference at the Company's website <a href="http://www.microlink.com.my">www.microlink.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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 governance and transparency, a Whistleblowing Policy has been adopted by the Company which sets out the principle and grievance procedures for employees to raise genuine concerns of possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner without fear of retaliation.</p> <p>The Whistleblowing Policy was reviewed by the Board on 17 May 2018 and is available for reference at the Company's website <a href="http://www.microlink.com.my">www.microlink.com.my</a>. It provides contact details of Audit and Risk Management Committee Chairman as the avenue for stakeholders to raise their concern.</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 MSB comprises six (6) members:</p> <ul style="list-style-type: none"> <li>• 3 Independent Non-Executive Directors (INEDs)</li> <li>• 2 Non-Independent Non-Executive Directors</li> <li>• 1 Executive Director</li> </ul> <p>The three (3) INEDs made up at least half of the total number of the 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 4.2**

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 set out in MSB's Board Charter which was reviewed by the Board on 17 May 2018 and is available for reference at the Company's website <a href="http://www.microlink.com.my">www.microlink.com.my</a>.</p> <p>None of the Independent Directors' tenure has exceeded a cumulative term of nine (9) years in the financial year 2018.</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) is set up to propose new nominees for the Board and to evaluate each individual Director on an on-going basis. The Company has established formal and transparent procedures for the appointment of new Directors. The NC scrutinises the sourcing and nomination of suitable candidates for appointment and also seeks to ensure an optimal mix of qualification, skill and experience among the Board members.</p> <p>The Nominating Committee, consisting mainly of Independent Non-Executive Directors. 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 Independent Non-Executive Directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.</li></ul> <p>The NC has a formal assessment mechanism to assess the effectiveness of the Board as a whole and the contribution of each individual Director.</p> <p>The assessment of the Board and the Board Committees is based on:</p> <ul style="list-style-type: none"><li>• composition</li><li>• structure</li><li>• adequacy of information and processes</li><li>• accountability</li><li>• performance</li><li>• standard of conduct</li></ul> <p>The criteria, amongst others, for an individual Director include:</p> <ul style="list-style-type: none"><li>• abilities, competencies and knowledge</li><li>• integrity and personality</li><li>• participation at Board and Board Committee Meetings, including the contribution to the business strategies and performance of the Group</li></ul>

	<ul style="list-style-type: none"> <li>• Meeting attendance</li> </ul> <p>During the financial year 2018, the following Directors were appointed:</p> <ol style="list-style-type: none"> <li>1. Tun Arifin Bin Zakaria – Independent Non-Executive Chairman; and</li> <li>2. Dato’ Jaganath Derek Steven Sabapathy – Non-Independent Non-Executive Director.</li> </ol>
<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 is supportive of the gender boardroom diversity as stated in the Board Diversity Policy which was reviewed, approved and adopted on 17 May 2018.</p> <p>The Board acknowledges the importance of gender diversity as part of good governance practices and to enhance the efficient functioning of the Board. The Board believes the appointment of new members is guided by the skills, experience, competency and knowledge of the individual candidate and it shall review any potential candidate wherever reasonably possible.</p> <p>In line with the Board Diversity Policy which has been adopted by the Company, gender quota and target will be considered when vacancies arise and suitable candidates are identified. The Board currently is 83% male and 17% female. In terms of age, 17% aged 31-40, 17% aged 41-50 and 67% aged 61-70 years old respectively.</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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In identifying new Board members, the Board seeks recommendations for candidates from existing board members, Management and major shareholders. During the financial year ended 31 March 2018, the following Directors were appointed:</p> <ul style="list-style-type: none"><li>i) Tun Arifin Bin Zakaria – Independent Non-Executive Chairman; and</li><li>ii) Dato' Jaganath Derek Steven Sabapathy – Non-Independent Non-Executive Director.</li></ul> <p>The above appointments were proposed by Executive Director to the NC. The NC ensures that the recommended candidates are suitable and of sufficient calibre before recommending their appointment to the Board</p> <p>The NC has yet to utilise the independent sources to identify suitable qualified candidates. The NC would also be open to referrals from external sources available, such as industry and professional associations, as well as independent search firms</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>	:	Within 3 years

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The TOR of the NC specifies that the Chairman must be an INED. The present Chairman of NC is Tun Arifin Bin Zakaria, an Independent Non-Executive Chairman of MSB.  The Terms of Reference of the NC was reviewed on 17 May 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**

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>Based on the annual review carried out through the Directors/Key Officers Evaluation Form, Board and Board Committee Evaluation Form, Board Skills Matrix Form, ARMC Evaluation Questionnaire, ARMC Self and Peer Evaluation Form and Independent Directors Self-Assessment Checklist undertaken internally with the assistance of the Company Secretaries, the NC is satisfied that:</p> <ul style="list-style-type: none"> <li>• the Board Committees have carried out their functions in accordance with their respective terms of reference and overall, the members of the committees have attended to their responsibilities effectively</li> <li>• the size and composition of the Board was optimum with a good balance of Executive Directors and Independent Non-Executive Directors</li> <li>• the current Board has the right mix of skills and experience which are relevant for the Board to carry out its responsibilities in an effective and competent manner as well as independently and objectively in the interest of the investors and shareholders of the Company</li> <li>• the Directors understand their roles, powers, duties and responsibilities and the activities carried out by the Company</li> <li>• the Independent Directors are independent</li> </ul> <p>The results and recommendations from the evaluation of the Board and Board Committees were reported to the Board for full consideration and action. The Board noted and satisfied with the outcome of evaluation.</p>
<b>Explanation for departure</b>	:	

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

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

### Intended Outcome

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 objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to lead the Group successfully.</p> <p>The remuneration of the ED is structured so 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 RC reviews and recommends to the Board the remuneration package of the ED. It is the responsibility of the entire Board to approve the remuneration of Non-Executive Directors who abstain from deliberation and decision made in respect of their individual remuneration. The Executive and Non-Executive Directors play no part in decisions on their own remuneration.</p> <p>When determining the structure of ED's remuneration, the RC takes into account the following criteria:</p> <ul style="list-style-type: none"><li>• individual performance</li><li>• skills and knowledge</li><li>• involvement in the Group's affairs</li><li>• achievement of Group's internal targets</li><li>• performance and profitability of the Group</li></ul> <p>The RC also considers other factors such as time commitment, duties and responsibilities.</p> <p>The Directors' Fees and benefits (comprising mainly Meeting Attendance Allowance) have been reviewed by the RC and the Board as a whole recommend the Directors' Fees and benefits for the Non-Executive Directors with the individual directors concerned abstaining</p>

	<p>from deliberation for approval of the shareholders at the forthcoming Annual General Meeting.</p> <p>The Director Remuneration Policy was last reviewed by the NC and approved by the Board on 17 May 2018 for consistency with the MCGG and Companies Act, 2016, which is available for reference at the Company's website <a href="http://www.microlink.com.my">www.microlink.com.my</a>.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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 entirely Non-Executive Directors with a majority of them being Independent Directors.  The duties and responsibilities of the RC have been clearly specified in the Terms of Reference of RC, which is available on the Company's website at <a href="http://www.microlink.com.my">www.microlink.com.my</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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 on page 27 in Annual Report 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

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 on a named basis for the remuneration of top five senior management personnel is not 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 top 5 senior management personnel who are not Directors of the Company will not prejudice the interest of its shareholders.</p> <p>The profiles of Key Senior Management are set out on pages 17 to 18 in the Annual Report 2018.</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 positions of the Chairman of the Board and ARMC are held by separate individuals. The Chairman of the ARMC is Mr Tai Keat Chai, an Independent Non-Executive Director. He 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>	:	<p>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.</p> <p>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 years before being appointed as a member of the ARMC to be in line with the Malaysian Code on Corporate Governance.</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 8.3

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 and appropriate, formal and transparent relationship with the external auditors and has adopted an External Auditors Independence Policy last reviewed on 17 May 2018, which is also available on the Company's website at <a href="http://www.microlink.com.my">www.microlink.com.my</a>.</p> <p>In May 2017, the ARMC:</p> <ul style="list-style-type: none"><li>(i) reviewed and assessed the performance and independence of the External Auditors, Messrs BDO (BDO) in accordance with the Policy of the Company;</li><li>(ii) noted the non-audit services provided by BDO; and</li><li>(iii) considered its suitability for re-appointment as external auditors of the MSB Group for the next financial year end.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is 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> :	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 8.5

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 possesses a wide range of necessary skills and expertise in relevant accounting, financial service industry and legal to discharge their duties and provide an effective level of challenge to the Management.</p> <p>The Chairman for ARMC, Mr Tai Keat Chai is a qualified accountant and a member of the Malaysian Institute of Accountant (MIA) thus fulfilling the requirements under Rule 15.09(1)(c)(i) of the Listing Requirements which requires at least one (1) of the Audit Committee members to be a member of MIA.</p> <p>Based on the outcome of the performance assessment on the ARMC, both the NC and the Board are satisfied with the performance of the ARMC.</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>An Enterprise Risk Management (ERM) framework was developed by Crowe Horwath (CH) in year 2018.</p> <p>As for Internal Control framework, the Management has put the necessary framework in place and the outsourced internal auditor provides the necessary assurance on the adequacy and effectiveness of the said framework.</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 9.2**

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>	:	ERM - There is on-going assessment and enhancement on the risk management framework. We implement/monitor the action plan.  Internal Audit (IA)– The company has outsourced its IA function to CH and CH reports directly to the ARMC on a quarterly basis on the adequacy and effectiveness of the internal control framework.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company has outsourced its IA function to CH. CH performs their functions with impartiality, proficiency and due professional care. They undertake regular monitoring of the Group’s key controls and procedures, which is an integral part of the Group’s system of internal control.</p> <p>The IA reports are presented to the ARMC for review and deliberation. The ARMC is briefed on the progress made in respect of each recommendation, and of each corrective measure taken as recommended by the audit findings. CH reports directly to the ARMC to ensure independence.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>We hereby confirm that we are free from any relationships or conflict of interest that could impact objectivity and independence.</p> <p>At least 3 internal auditors are assigned to the audit.</p> <p>Amos Law, Certified Internal Auditor, Certification in Risk Management Assurance, Chartered Member of The Institute of Internal Auditors Malaysia, BA Accountancy &amp; Finance, Heriot-Watt University.</p> <p>The internal audit function is guided by the International Professional Practices Framework, issued by IIA Inc.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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 recognises the importance of communication and proper dissemination of information to its shareholders and investors. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to fulfil transparency and accountability. In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.</p> <p>The AGM is the main forum of dialogue with shareholders as it provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance.</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, etc. from the corporate website <a href="http://www.microlink.com.my">www.microlink.com.my</a>.</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 year ended 31 March 2018 as MSB is not categorised as Large Companies under 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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**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>	:	<p>The last 14<sup>th</sup> AGM was held on 14 September 2017 and the Notice convening the 14<sup>th</sup> AGM was sent to the shareholders on 31 July 2017 which was at least 28 days ahead of the 17<sup>th</sup> AGM.</p> <p>The forthcoming 15<sup>th</sup> AGM of the Company will be convened on 6 September 2018. The Notice of 15<sup>th</sup> AGM will be sent to the shareholders on 31 July 2018 which is more than 28 days prior to the 15<sup>th</sup> AGM.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</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**

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>	:	<p>The annual meeting calendar was prepared and circulated to Directors prior to the commencement of a new financial year in order for the Directors to lock-in dates of AGM, Board and Board Committees meetings.</p> <p>During the AGM, the Chairman also invited shareholders to raise any questions pertaining to the Company's Financial Statements and other agenda items, before putting the resolution to vote.</p> <p>During the last 14<sup>th</sup> AGM held in 2017, all Directors attended the AGM. In addition to the above, members of the Senior Management and external auditors of the Company have also attended and responded to the shareholders' queries.</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

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>	:	
<b>Explanation for departure</b>	:	<p>The Company is of the view that the above practice is not cost effective nor practical for the Company to leverage on technology to facilitate shareholders to vote in absentia or having remote shareholders' participation in general meetings.</p> <p>2017 AGM was held at The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur which is a familiar venue to the shareholders of the Company.</p> <p>In the event the shareholders are not able to attend the forthcoming 15<sup>th</sup> AGM, the shareholders are allowed to appoint a proxy or proxies to attend on their behalf.</p> <p>Poll voting was adopted at the AGM held in 2017 for all resolutions proposed, where votes were cast by way of voting slips. Share Registrar of the Company, Bina Management (M) Sdn Bhd was appointed to act as the Poll Administrator and Quantegic Services Sdn Bhd was appointed to act as the Independent Scrutineers to verify the results of the poll voting.</p> <p>The Chairman announced the poll voting results after the same has been verified by the appointed Independent Scrutineer. Poll results are announced to Bursa Securities on the same day.</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>	:	

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

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

Click here to enter text.

