

Statement on Corporate Governance

The Board of Directors of Dayang Enterprise Holdings Bhd ("Dayang" or the Group") recognizes the importance of good corporate governance practices throughout the Group as a fundamental part towards enhancing long term shareholders' value, increasing investors' confidence and protecting stakeholders' interest.

The Board strives to continuously fulfill its governance obligations and to implement the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("CG Code") wherever applicable appropriate with the aim of ensuring the Board's effectiveness in enhancing the Group's value.

This statement describes how the Company has applied the principles and complied with the recommendations of the CG Code during the financial year under review.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions Reserved for Board and Management

Dayang is led by an experienced and diversified Board who provides oversight, strategic direction and entrepreneurial leadership. This wide spectrum of skills and experience provide the Board with a diverse set of expertise and knowledge in discharging of the Board's statutory and fiduciary duties and responsibilities.

The Board is focused on the Group's overall governance by ensuring the implementation of strategic plans and that accountability to the Group and stakeholders is monitored effectively. The Executive Directors take on primary responsibilities in managing day to day business whilst the Independent Directors are involved in various committees and contribute in areas such as performance monitoring and providing independent view for enhancement of corporate governance and controls.

The role of the management is to manage the Company in accordance with the direction of and delegation by the Board. The Board plays the strategic role in overseeing that the management carries out the delegated duties to achieve the Group's corporate objectives with long term strategic plans of the business.

Clear Roles and Responsibilities

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The principal functions and responsibilities of the Board include the following:

(a) Reviewing and adopting strategic plans for the Group.

The Board plays an active role in reviewing and adopting strategic business plans for the Group by ensuring that strategies proposed are discussed at length and critically examined.

(b) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed.

The Group's business performance and results are periodically reviewed by the Board via annual and quarterly financial results, operational updates, key risks mitigation plans, updates of matters arising from previous meetings as well as corporate and regulatory updates received from the management.

(c) Identifying principal risks and ensuring implementation of appropriate systems to manage these risks with a view to the long term viability of the Group.

Ensuring effective risk management, compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant and business risks are in place.

(d) Ensuring corporate accountability to shareholders

The Board endeavored to adopt an effective shareholder communications strategy, encouraging effective participation at general meetings and developing and implementing an investor relations program for the Company to communicate effectively with its shareholders.

Statement on Corporate Governance

(cont'd)

(e) Reviewing the adequacy and integrity of the Group's internal control and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has entrusted the Risk Management Committee to monitor and ensure that the internal control systems of the Group is adequate to mitigate the Group's risk exposures to an acceptable level.

Code of Ethics and Conduct

The Group is committed to conduct its businesses and operations with integrity, openness and accountability and to also conduct its affairs in an ethical responsible and transparent manner. The Group has a code of Ethics and Conduct that set out the standards and ethical conduct expected of all employees and Directors of the Group.

The Ethics Conduct provides commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with law and regulations.

Strategies Promoting Sustainability

The Board views the commitment to sustainability, environmental, social and governance performance as part of its broader responsibility to clients, shareholders, employees and communities in which it operates. The Group's approach to sustainability for the financial year under review is set out in the Corporate Social Responsibility Statement on page 23 of this Annual Report.

Access to Information and Advice

All Directors have direct access to the advice and services of the Company Secretaries on compliance issues and ensure that the Company's policies and procedures are followed. The Directors are also empowered to seek independent professional advice at the expense of the Company, should they consider it necessary in their course of duties.

The Board meets on a quarterly basis and additionally as and when required. Prior to Board Meetings, all Directors are provided with an agenda together with appropriate board papers containing information on major financial, operational and corporate matters of the Group prior to the Board Meetings. This is issued in sufficient time to enable the directors to review the papers in preparation for the meeting and to obtain further explanations, where necessary and also to give the directors time to deliberate on the issues to be raised at the meeting.

All matters discussed and resolutions passed at each Board Meeting are recorded in the minutes of the Board Meeting. These minutes are circulated to all Directors for their perusal and confirmation and any Director can request for further clarification on the minutes prior to their confirmation.

Qualified and Competent Company Secretaries

The Board is supported by the services of two qualified Company Secretaries. The roles and responsibilities of the Company Secretaries include:

- (a) Advising the Board in relation to the constitution of companies arising from the relevant laws and regulations.
- (b) Maintaining the statutory records of the Group of Companies.
- (c) Attending meetings of the Board and shareholders and ensuring that the meeting proceedings are properly convened and minuted.
- (d) Regularly update and advise the Board on new statutory and regulatory requirements.
- (e) Briefing the Board on the proposed contents and timing announcements to be made to regulators.

Statement on Corporate Governance

(cont'd)

- (f) Facilitating communication between the Board and Management.
- (g) Facilitating compliance with the Listing Requirements and Companies' Legislation that are applicable to the group companies.

Board Charter

The Board has adopted a Board Charter which outlines the roles, composition and responsibilities of the Board. The Board conducts regular review of the Charter when necessary to ensure the continuous relevance of the Charter in line with changes in the expectations of the investors and stakeholders of the Company in general and the guidelines issued by the regulatory authorities from time to time.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Board Balance

The Board currently consists of nine (9) members, comprising four (4) Executive Directors and five (5) Non-Executive Directors of which four (4) are independent. At least one third (1/3) of the Board are Independent Directors who are independent of management and are free from any businesses or other relationships that could materially interfere with the exercise of independent judgment.

The present composition of the Board is in compliance with Paragraph 15.02(1) of the Listing Requirements of Bursa Malaysia Securities Berhad which requires one third (1/3) of the Board members to comprise independent members.

The Board continually evaluates its requirements as to the appropriate mix of skills and experience required to ensure that its composition remains optimal for the effective discharge of its responsibilities. Their expertise and know-how have been gained through their years of involvement as players in their respective fields.

The Independent Directors do not participate in the day to day management of the Group and do not engage in any business dealing with the Group in order to ensure that they remain truly capable of exercising independent judgment and act in the best interests of the Group and its shareholders.

A brief profile and status of each Director is presented on pages 9 to 13.

Board Gender Diversity

The Board acknowledges the recommendation of the CG Code on the establishment of boardroom gender diversity policy. The Company currently has two (2) female members on the Board. However, the Board has no immediate plans to implement a gender diversity policy or target, as it is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities regardless of gender.

In the election for Board appointment, the Board believes in and provides equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender, ethnicity and age.

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated specific functions to other Board Committees, namely:

- i) Audit Committee;
- ii) Joint Remuneration & Nomination Committee;
- iii) Risk Management Committee; and
- iv) Corporate Social Responsibility Committee.

Each committee has been given clear terms of reference that have been approved by the Board. Issues were deliberated by the respective committees before putting up for recommendation to the Board. The respective Board Chairman will report to the Board on any significant development and deliberations conducted at the Board Committee level.

Statement on Corporate Governance

(cont'd)

In respect of the assessment for the financial year ended 31 December 2016, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, mix of skills and experience was adequate.

Audit Committee ("AC")

The composition of the Audit Committee meets the Main Market Listing Requirement where all the members of the Committee are Non-Executive Directors. The members of the Audit Committee comprise:

Koh Ek Chong	(Chairman – appointed on 06.04.2017)
Azlan Shah Bin Jaffril	(appointed on 06.04.2017)
Gordon Kab @ Gudan Bin Kab	(appointed on 06.04.2017)
Chia Chu Fatt	(Chairman – resigned on 28.02.2017)
Polit Bin Hamzah	(resigned on 28.02.2017)
Tuan Haji Abdul Aziz Bin Ishak	(resigned on 28.02.2017)
Ali Bin Adai	(resigned on 25.05.2016)

The Audit Committee is responsible for reviewing issues of accounting policies and presentation for external reporting, monitoring the work of the internal audit function and ensures the objective and professional relationship is maintained with the external auditors. The role of the Audit Committee and the number of meetings held during the year as well as the attendance record of each member are spelt out in the Audit Committee Report in this Annual Report.

Joint Remuneration & Nomination Committee ("JRNC")

The Joint Remuneration & Nomination Committee comprises of three (3) Non-Executive Directors. The members are:

Ali Bin Adai	(Chairman, appointed on 06.04.2017)
Koh Ek Chong	
Wong Ping Eng	(appointed on 06.04.2017)
Polit Bin Hamzah	(Chairman, resigned on 28.02.2017)
Chia Chu Fatt	(resigned on 28.02.2017)
Tuan Haji Abdul Aziz Bin Ishak	(resigned on 28.02.2017)

The Joint Remuneration & Nomination Committee responsibilities include amongst others, reviewing the Board's composition and making recommendations to the Board for appointments of new Directors by evaluating and assessing the suitability of candidates as Board member or Board Committee member. Due consideration is given to the required mix of skills, knowledge, expertise, experience, professionalism and integrity that the proposed Directors will bring to the Board.

The Committee is also responsible to review the performance of the Directors seeking re-election at the forthcoming Annual General Meeting. The Committee also assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director on an annual basis.

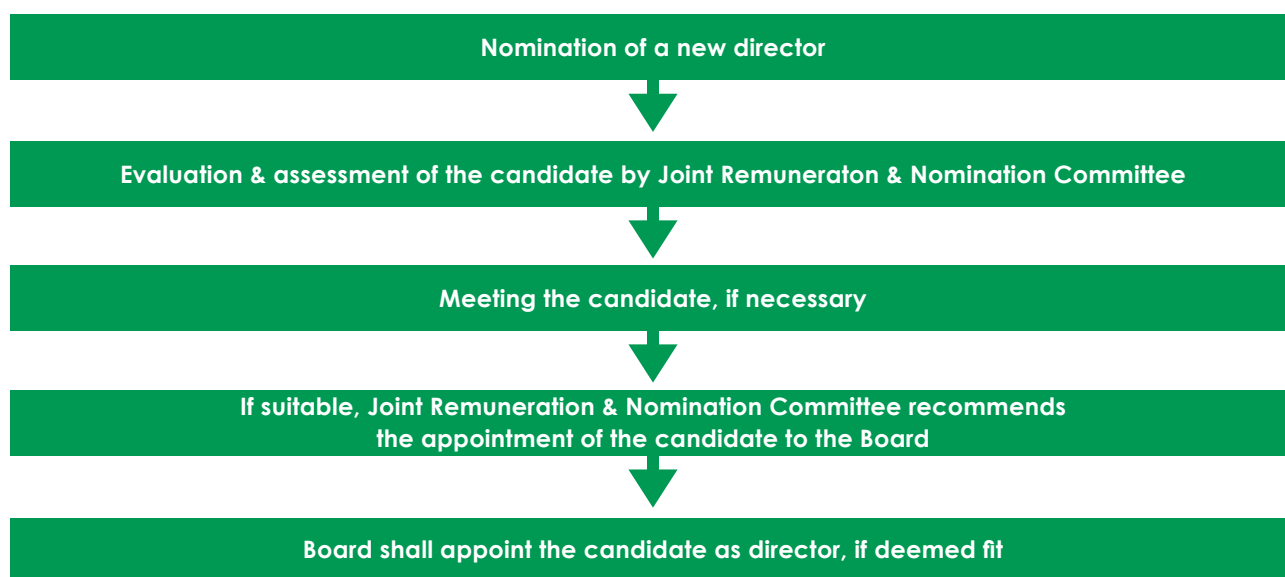
Statement on Corporate Governance

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Appointment and Retirement of Directors

The process adopted by Dayang for Board appointments is as follows:

PROCESS OF APPOINTMENT OF DIRECTOR



The procedure on re-election of directors by rotation is set out in the Company's Constitution. In accordance with Article 86 of the Company's Constitution, at least one-third (1/3) of the Directors for the time being, or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting.

All Directors of the Company are subject to retirement by rotation at least once every three (3) years. The Directors to retire shall be those longest in service since their last appointment. The Directors due to retire at the forthcoming AGM are shown in the Notice of Meeting (Ordinary Resolution 2 to 5).

The Committee is also responsible to recommend the remuneration packages for the Executive Directors of the Company to the Board. The Board determines the remuneration of the Non-Executive Directors. Directors shall abstain from deliberation and decisions made in respect of their own remuneration.

Directors' remuneration is linked to experience, scope of responsibilities, service seniority as well as performance. The Non-Executive Directors are paid a meeting allowance for each Board meeting and Committee meeting they attend.

The aggregate Directors' remuneration paid or payable or otherwise made to all the Directors of the Company who served during the financial year are as follows:

Company	Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors	1,163	-	-	-	1,163
Non-Executive Directors	672	-	-	41	713

Statement on Corporate Governance

(cont'd)

Group	Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors	1,549	2,927	4,839	887	10,202
Non-Executive Directors	744	-	-	43	787

The number of Directors whose total remuneration falls within the following band is as follows :-

RANGE OF REMUNERATION	NUMBER OF EXECUTIVE DIRECTORS	NUMBER OF NON-EXECUTIVE DIRECTORS
RM50,001 – RM100,000	-	6
RM100,001 – RM150,000	-	2
RM250,001 – RM300,000	1	-
RM3,150,001 – RM3,200,000	1	-
RM3,350,001 – RM3,400,000	1	-
RM3,400,001 – RM3,450,000	1	-

Details of the Directors' remuneration are set out in applicable bands of RM50,000 in accordance with Appendix 9C Part A(11) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Whilst the Code prescribed for individual disclosure of directors remuneration packages, the Board is of the view Directors' remuneration are appropriately and adequately addressed by the band disclosure method adopted by the Board.

The Committee would conduct an annual review of the composition of the Board and makes recommendations to the Board accordingly with a view of the meeting current and future requirements of the Group. Among other evaluation criteria are the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

The Joint Remuneration & Nomination Committee meets as and when required and at least once a year. During the year under review the Joint Remuneration & Nomination Committee met twice to carry out its responsibilities and the attendance of the members for the meetings held are as follows:-

The members of the Joint Remuneration & Nomination Committee are as follows:

Name of Directors	No of Meetings Attended
Koh Ek Chong	1/2
Ali Bin Adai (Chairman, appointed on 06.04.2017)	N/A
Wong Ping Eng (appointed on 06.04.2017)	N/A
Polit Bin Hamzah (Chairman, resigned on 28.02.2017)	2/2
Tuan Haji Abdul Aziz Bin Ishak (resigned on 28.02.2017)	2/2
Chia Chu Fatt (resigned on 28.02.2017)	2/2

A summary of key activities undertaken by the Committee in the discharge of its duties for the financial year ended 31 December 2016 is set out as follows:

- Reviewed and assessed the performance and recommended re-election of Directors who were due for retirement by rotation;
- Reviewed Board's representation and the required mix of skills and experience and other qualities of the Board;
- Reviewed the composition of the Committees on their compliance with the provisions of the regulations;
- Reviewed the independence of the Independent Directors and their tenure of service.

Statement on Corporate Governance

(cont'd)

Corporate Social Responsibility Committee

The responsibilities of the Committee are as follows:

- To develop and implement the Group's Corporate Social Responsibility framework;
- To incorporate environmentally friendly practices whilst carrying out our operations;
- To establish culture socially responsible behaviors among management and employees;
- To create opportunities for the Group to participate in the development of a caring and harmonious community; and
- Benchmarking corporate governance to best practices to look after the interests of minority shareholders.

The members of the Corporate Social Responsibility Committee are as follows:

Name	Position
Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin	Chairman
Chia Chu Fatt (resigned on 28.02.2017)	Member
Gordon Kab @ Gudan Bin Kab	Member

Please refer to page 23 to 28 for details in relation to Corporate Social Responsibility.

Risk Management Committee

The objectives of the Risk Management Committee are:

- To establish the risk policies and risk frameworks;
- To identify, evaluate and monitor the risks portfolio;
- To formulate mitigation strategies/action plans to manage the overall risk associated with our activities;
- To recommend appropriate risk management policies and procedures which shall be reviewed regularly to ensure that they are both appropriate and adequate for the long term viability of the Group; and
- To ensure a proper balance between risk incurred and potential returns to our shareholders.

The Risk Management Committee shall have authority and access to all information, records and reports relevant to the Group's activities in order to perform its duties. The Committee shall invite any Director and/or employees as it may deem appropriate, to attend a Committee meeting and assist in the discussion and consideration of matters relating to the business and operating risks.

During the financial year under review, the Risk Management Committee met once with the respective Head of Departments/Units and the Internal Auditor to identify and discuss the existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit Committee.

The members of the Risk Management Committee are as follows:

Name	Position
Gordon Kab @ Gudan Bin Kab	Chairman
Datuk Ling Suk Kiong	Member
Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin	Member
Joe Ling Siew Loung @ Lin Shou Long	Member
Polit Bin Hamzah (resigned on 28.02.2017)	Member

Statement on Corporate Governance

(cont'd)

PRINCIPLE 3: REINFORCE INDEPENDENCE

Assessment of Independent Directors

The responsibilities of the Independent Non-Executive Directors include providing independent and objective views to Board deliberations and decision-making and the Board members are responsible to act in the best interest of the shareholders of the Group, employees, customers and other stakeholders.

In view thereof, the Joint Remuneration & Nomination Committee assesses annually the independence of the Group's independent directors based on the criteria set out in the Listing Requirements.

In accordance to the Main Listing Requirements, an Independent Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgment and should be willing to express his opinion freely at the Board.

The Joint Remuneration & Nomination Committee and the Board are of the view that all four (4) Independent Non-Executive Directors continue to remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board.

The Board is satisfied with the level of independence demonstrated by all the independent non-executive directors and their ability to act in the best interests of the Company.

Tenure of Independent Directors

The CG Code recommended that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, the Board may provide justification to retain a Director who has served a cumulative term of nine (9) years as an Independent Director subject to shareholders' approval.

Separation of positions of the Chairman and Managing Director

The positions of the Chairman and the Managing Director are held by two different individuals in line with the Code's recommendation. There is a clear segregation of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority.

Board Chairman

- (a) Representing the Board to Shareholders and to chair and ensure efficient organization and conduct of the Board and/or meeting of the shareholders.
- (b) Ensuring that executive directors look beyond their executive function and accept their share of responsibilities in governance.
- (c) Guiding and mediating Board actions.
- (d) Performing other responsibilities assigned by the Board from time to time.

Managing Director

- (a) Responsible for the overall management of the Group ensuring organizational effectiveness and implementation of Board policies and strategies.
- (b) Directing all aspects of the business operations in a cost effective manner.
- (c) Ensure that the Group's Financial Reports present a true and fair view and operational results are in accordance with the relevant accounting standards.
- (d) Ensure compliance with governmental procedures and regulations.

Statement on Corporate Governance

(cont'd)

Chairman to be a Non-Executive Director

The Code recommends that the Chairman of the Board to be a Non-Executive member of the Board and in the event the Chairman of the Board is not an independent director, the Board should comprise a majority of Independent Directors. The Chairman of the Board, Encik Ali Bin Adai is an independent director.

PRINCIPLE 4: FOSTER COMMITMENT

Time Commitments

The Board is expected to commit sufficient time as and when required to carry out their responsibilities, besides attending meetings of the Board and Board Committees. All directors shall not hold more than five (5) directorships in public listed companies.

The existing directors are obliged to notify the Board before accepting any new directorship in other listed issuers. The notification is to ensure the Directors have sufficient time to discharge their duties to the Board and other Board Committees on which they serve.

The Board meets at least four (4) times a year at quarterly intervals with the meetings scheduled in advance before the end of the preceding year to facilitate the Directors in managing their meeting plans. Additional meetings are convened to deliberate on matters requiring immediate attention that need to be made between scheduled meetings.

In the event Directors are unable to attend Board Meetings physically, the Company's Constitution allow for such meetings to be conducted via telephone, video conferencing or any other form of electronic or instantaneous communication.

During these meetings, the Board reviews the Group's financial performance, business operations, reports of the various Board Committees and results are deliberated and considered. Management and performance of the Group and any other strategic issues that affect or may affect the Group's businesses are also deliberated. The Board has met six (6) times during the financial year ended 31 December 2016 where it deliberated and considered a variety of matters affecting the Group's operations including the Group's financial results, business plan and the direction of the Group. All proceedings of the Board Meetings are duly minuted by the Company Secretary and signed by the Chairman of the meeting.

The details of attendance of the directors held during the financial year are as follows:-

Name of Director	No of Meetings Attended
Ali Bin Adai	6/6
Datuk Ling Suk Kiong	6/6
Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin	4/6
Joe Ling Siew Loung @ Lin Shou Long	6/6
Gordon Kab @ Gudan Bin Kab	5/6
Jeanita Anak Gamang	6/6
Tuan Haji Abdul Aziz Bin Ishak (resigned on 28.02.2017)	4/6
Polit Bin Hamzah (resigned on 28.02.2017)	6/6
Chia Chu Fatt (resigned on 28.02.2017)	6/6
Wong Ping Eng	6/6
Azlan Shah Bin Jaffril	5/6
Koh Ek Chong	5/6

Statement on Corporate Governance

(cont'd)

Directors' Training

The Board acknowledges that continuous education is vital for the Board members to gain insight into the state of the economy, latest regulatory developments and management strategies. Therefore, the Directors are encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars and briefings that would enhance their knowledge to enable the Directors to discharge their responsibilities more effectively.

All members of the Board have completed their Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad.

For the year under review, the Directors have individually or collectively attended the following courses/seminars:

- The Annual General Meeting – A Practical Insight and Managing Shareholders' Expectations
- Corporate Governance Disclosures
- Boardroom Excellence For PLC Director
- Embracing The Board's Role In Corporate Transformation For Sustainable Results
- Focus Group Series-Corporate Governance Disclosures
- Annual Tax Conference
- Merger, Acquisition & Affiliation Seminar & Exhibition 2016
- Audit Committee Workshop E: Understanding Complex Financial Reporting under MFRS/AFRS
- Audit Committee Workshop F: The Statement of Risk Management
- Risk Management & Internal Control: Workshop for Audit Committees
- Goods & Service Tax Seminar
- 2017 Budget Seminar

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board strives to provide a balanced, clear and timely assessment of the Group's financial performance and prospects by ensuring quality financial reporting through the annual audited statements and quarterly financial results to the stakeholders, in particular, shareholders, investors and the regulatory authorities.

The Board is assisted by the Audit Committee to oversee the financial reporting processes to ensure that the financial statements of the Group and the Company comply with applicable financial reporting standards in Malaysia and that all applicable accounting policies used are supported by reasonable prudent judgments and estimates. The Board has taken due care and reasonable steps to ensure that the requirements of accounting standards and relevant regulations were fully met.

Sustainability and Independence of External Auditors

The Group has established a transparent and appropriate relationship with the external auditors through the Audit Committee of the Company. The Audit Committee oversees and appraises the quality of the audits conducted by the external auditors.

During the year, the Audit Committee met with the external auditors thrice to discuss their audit plans, audit findings and their reviews of the Group's financial results/statutory statement of accounts. In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

Statement on Corporate Governance

(cont'd)

The external auditors are required to declare their independence annually to the Audit Committee as specified by the By-Laws issued by the Malaysian Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the Audit Committee.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Sound Risk Management Framework

The Risk Management Committee whose current members comprised of four (4) members of the Board assists the Audit Committee in discharging its risks management and control responsibilities.

The Risk Management Committee has been tasked to identify and communicate the existing and potential critical risks areas faced by the Group and the management action plans to mitigate such risks by working with the Internal Auditors in providing periodic reports and updates to the Board.

The key features of the Group risk management framework are set out in the Statement on Risk Management and Internal Control on pages 47 to 50 of this Annual Report.

Internal Audit Function

The Company has an internal audit function, which reports directly to the Audit Committee on the adequacy and effectiveness of the current system of internal controls from the perspectives of governance, risks and controls.

During the financial year under review, the internal audit function also performed a follow-up to access the status of Management-agreed action plans on recommendations raised in preceding cycles of internal audit. The outcome thereof was summarized in a follow-up report to the Audit Committee highlighting those issues that had yet to be fully addressed by management including specific timeliness for those outstanding matters to be resolved.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report on pages 43 to 50.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognizes the importance of effective and timely communication with shareholders and investors to ensure that they are informed of all material business matters affecting the Group. This is done through timely dissemination of information on the Group's performance and major developments which are communicated via the following channels:-

- (i) the Annual Report and relevant circulars dispatched to shareholders and published on the Company's website and Bursa Securities.
- (ii) the convening of AGM and/or Extraordinary General Meeting.
- (iii) the release of quarterly financial announcements.
- (iv) press release and analysts briefings.

The Board does not have a Corporate Disclosure Policy but the Company ensures compliance with the disclosure requirements as set out in the Listing Requirements at all times.

Statement on Corporate Governance

(cont'd)

The Group also maintains a corporate website at www.desb.net whereby shareholders as well as members of the public may access for the latest information on the Group. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

Investor Relations

The Group's investor relationship is helmed by the Group Managing Director and the Head of Corporate Affairs who will attend to the needs of the investment community, shareholders, fund managers and analysts.

As there may be instances where investors and shareholders may prefer to express their concerns to an Independent Director, Mr Koh Ek Chong continues to play his role as the Independent Director of the Board to whom concerns may be conveyed. Mr Koh is also the Chairman of the Audit Committee of the Board and a member of the Joint Remuneration & Nomination Committee.

His email contact is kohekchong@hotmail.com.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Annual General Meetings

The Company recognizes the importance of effective communication with its shareholders and investors. Announcements and release of financial results on a quarterly basis provides the shareholders and the investing public with an overview of the Group's performance and operations.

The Company's Annual General Meeting is especially important for individual shareholders as it is the principal forum for dialogue and interaction with the Board whereby they are given the opportunity to present their views or seek clarification on the progress, performance and major developments of the Company. Where it is not possible to provide immediate answers to shareholders' queries, the Board will undertake to provide the answers after the AGM.

At the 10th AGM of the Company, to ensure transparency, the Board also shared with the shareholders the Board's responses to questions submitted in advance by the Minority Shareholder Watchdog Group and Kumpulan Wang Persaraan (Diperbadankan). The External Auditors of the Company are also invited to attend the AGM to answer any questions relating to the conduct of the audit and contents of the Auditor's Report.

In line with the revised Listing Requirements of Bursa Securities, all resolutions put to general meetings will be voted by poll. An independent scrutineer will be appointed to validate the votes cast at general meetings. Decision for each resolution and the name of the independent scrutineer will be announced to Bursa Securities on the same day.

COMPLIANCE STATEMENT

The Board is of the view that the group has in all material aspects applied with the principles and recommendations of the Code where the Board deems appropriate, in its efforts to observe high standard of transparency, accountability and integrity.

Statement on Corporate Governance

(cont'd)

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.26(a) of the Main Market Listing Requirements to issue a statement explaining their responsibility in the preparation of the annual financial statements.

The Act requires the Directors to be responsible in preparing the financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2016, the Directors have :-

- adopted the appropriate accounting policies and applied them consistently;
- ensured that all applicable accounting standards have been followed;
- made judgments and estimates that are prudent and reasonable; and
- ensured the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Act.

In addition, the Directors have overall responsibility for taking such steps as to safeguard the assets of the Company and the Group by taking reasonable steps to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 11 April 2017.

Corporate Governance

“Dayang recognises good corporate governance enhances corporate accountability, sustainability and long term business prosperity to safeguard the interests of all stakeholders.

The Board of Directors of Dayang has applied and complied with the practises set out in the Malaysian Code of Corporate Governance to the extent where they are applicable to the Company.”

DAYANG ENTERPRISE HOLDINGS BHD TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. OBJECTIVES

Assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

2. COMPOSITION

- (a) The Audit Committee shall consist of not less than three (3) members appointed by the Board, amongst the Non-Executive Directors of the Company with a majority of them being independent directors.
- (b) The members of the Audit Committee must elect a Chairman among themselves who is an independent director.
- (c) No alternate director shall be appointed as a member of the Audit Committee.
- (d) At least one (1) member of the Committee:
 - i) Must be a member of the Malaysian Institute of Accountant or
 - ii) if he is not a member of Malaysian Institute of Accountants, he must have at least 3 years' working experience and
 - (aa) he have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (cc) fulfils such other requirements as prescribed or approved by the Exchange.
 - (dd) The term of office and performance of each of the member of the Committee shall be reviewed by the Nomination Committee annually.
- (e) The Secretary to the Board of Directors shall also be secretary of this Committee.
- (f) In the event of any vacancy in the Committee resulting in less than 3 members, the vacancy must be filled within three (3) months.

3. MEETINGS OF THE AUDIT COMMITTEE

- (a) Any two (2) members of the Committee shall constitute a quorum, the majority of whom shall be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall nominate one amongst themselves to be the Chairman of the Meeting who must be an Independent Non-Executive Director.
- (b) The Committee shall meet as the Chairman deems necessary but not less than four (4) times a year with due notice of items to be discussed and shall record its conclusion in discharging its duties and responsibilities.
- (c) The Group Financial Controller, Group Accountant and the Head of Group Internal Audit shall normally attend the Audit Committee meetings. The Committee may invite any other Directors or any employees within the Group who the Committee thinks fit to attend any of its meetings to assist in resolving and clarifying matters that have been brought to their attention.

The Committee shall meet with the External Auditors at least twice a year without the presence of the Executive Directors and Management.

- (d) Questions arising at any meeting shall be decided by a majority vote, each member having one vote and in the event if a tie, the Chairman shall have a second or casting vote. However, at meetings where two members form a quorum or when only two members are competent to vote on an issue, the Chairman will not have a casting vote.
- (e) The Committee is authorized by the Board to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

4. AUTHORITY

- (a) The Committee must have authority to investigate any matter within its terms of reference, the resources which are required to perform its duties and have full unrestricted access to information.
- (b) The Committee should have direct communication channels with the external auditors and person(s) carrying out the internal audit function of activity.
- (c) The Committee should be able to obtain independent professional advice, if necessary.
- (d) The Committee should be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees, whenever deemed necessary.

THE RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for the following:

- ❖ To examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- ❖ To ensure the financial statements comply with applicable financial reporting standards;
- ❖ To review the Audit Report with the external auditor;
- ❖ To review with the external auditor, his evaluation of the systems of internal controls;

- ❖ Review the assistance given by the employees of the Company to the external auditor,
- ❖ To review the quarterly results and year-end financial statements and other published information, prior to the approval by the board of directors, focusing particularly on-
 - (i) Any changes in or implementation of major accounting policies
 - (ii) Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are addressed and
 - (iii) Compliance with accounting standards and other legal requirements.
- ❖ To recommend to the Board the appointment of the external auditors and their fees;
- ❖ Review annual audit plan with the external auditors
- ❖ To consider the adequacy of experience, resources and any issue regarding re-appointment, resignation or dismissal of the external auditors;
- ❖ To review the activities, findings, conclusions and recommendations of the external auditors;
- ❖ To review and monitor suitability and independence of external auditors;
- ❖ To do the following where an internal audit function exists:
 - ∞ review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - ∞ review the internal audit plan and results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - ∞ consider the major findings of internal audit investigations and the management's response;
 - ∞ approve any appointment or termination of Internal Auditor.
- ❖ To review arrangements established by management for compliance with regulatory and financial reporting requirements;
- ❖ To review related party transactions and conflict of interest situations that may arise within the company or Group including any transactions, procedures or courses of conduct that may raise questions of management integrity;
- ❖ To undertake such additional duties as may be appropriate to assist the Board in carrying out its duties.

CIRCULAR RESOLUTION

A resolution in writing signed by a majority of all members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee.

The expressions "in writing" or "signed" include approval by legible confirmed transmission by email, fax, telegram or other forms of electronic communications.

REPORTING PROCEDURES

- (a) After each committee meeting, the chairman shall report the committee's findings and recommendations to the board.
- (b) Detailed audit reports by Internal Auditor and the respective Management response are circulated to members of the Committee before each Meeting of the Committee at which the said reports are tabled.
- (c) The secretary shall circulate the minutes of meeting of the Audit Committee to all members of the Audit Committee.

DAYANG ENTERPRISE HOLDINGS BHD

TERMS OF REFERENCE OF THE JOINT REMUNERATION & NOMINATION COMMITTEE

1. OBJECTIVES

- (a) The Terms of Reference of this Committee is established pursuant to the Listing Requirements and approved by the Board.
- (b) The purpose of the Committee is to assist the Board in fulfilling its roles and responsibilities.

2. COMPOSITION

- (g) The Committee is made up entirely of Non-Executive Directors and shall consist of not less than two (2) members, with a majority of them being independent directors.
- (h) The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director. In the absence of the Chairman of the Committee, the remaining members present shall elect one of their members as Chairman of the meeting.
- (i) The Secretary to the Board of Directors shall also be secretary of this Committee.
- (j) An independent member shall immediately notify the Company Secretary of any change in circumstances that may result in him not being able to meet the criteria of independence.
- (k) The office of a member shall be vacant upon the member's death/resignation/retirement/removal or disqualification as a director of the Company.
- (l) Any vacancy in the Committee shall be filled no later than three (3) months.

3. MEETINGS AND MINUTES

- (f) Two (2) members shall form a quorum for meetings.
- (g) Meetings may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person in such meeting.
- (h) The Committee shall meet at least once a year or more as the Committee deemed necessary to fulfill its responsibilities.
- (i) The Committee shall have full discretion to invite any director or management to attend its meetings.
- (j) Questions arising at any meeting shall be decided by a majority vote, each member having one vote and in the event of a tie, the Chairman shall have a second or casting vote. However, at meetings where two members form a quorum or when only two members are competent to vote on an issue, the Chairman will not have a casting vote.

- (k) The Secretary shall record all proceedings and minutes of the Committee's meetings and shall be kept and circulated to all members of the Committee.
- (l) The Chairman of the Committee shall report to the Board on key issues discussed at the Committee meetings.

4. THE DUTIES AND RESPONSIBILITIES OF THE JOINT REMUNERATION & NOMINATION COMMITTEE

- (a) To make recommendation to the Board on the appointment and re-appointment of Directors by evaluating and assessing the suitability of candidates as Board member or Board Committee member taking into consideration the candidate's:
 - age, skills, knowledge, expertise, experience;
 - professionalism;
 - integrity and
 - in the case of candidates for the position of independent non-executive Directors, the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive Directors.
- (b) Prior to the appointment of a director, the proposed appointee is required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.
- (c) To conduct an annual review of the composition (including the skills, knowledge, experience and diversity) of the Board and makes recommendations to the Board accordingly with a view of meeting current and future requirements of the Group. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.
- (d) To recommend directors who are retiring by rotation to be put forward for re-election.
- (e) To review the term of office and performance of the audit committee and each of the members annually to determine whether such audit committee and members have carried out their duties in accordance with their term of reference.
- (f) To review training and professional development programmes for the Board.
- (g) To recommend the remuneration packages and terms of employment of Executive Directors of the Company to the Board. The Board determines the remuneration of the Non-Executive Directors who abstains from deliberation and decisions made in respect of their individual remuneration.
- (h) To review bonuses of executive Directors based on each individual Director's personal performance.

5. CIRCULAR RESOLUTION

A resolution in writing signed by a majority of all members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee.

The expressions "in writing" or "signed" include approval by legible confirmed transmission by email, fax, telegram or other forms of electronic communications.

6. AUTHORITY

- (a) To seek any information it requires from any employee of the Company in order to perform its duties.
- (b) To obtain any outside legal or other professional advice and to ensure the attendance of external advisors at its meetings, at the expense of the Company's expense when necessary.
- (c) These terms of reference may from time to time be amended as required, subject to the approval of the Board.