

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors (“the Board”) of China Stationery Limited (“CSL” or “the Company”) is committed to ensuring that good corporate governance practices are applied throughout the Company and its subsidiaries (“Group”) to protect and enhance shareholders’ value and safeguard the Group’s assets. In accordance with Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Board is pleased to provide a statement explains the manner in which the Company has applied the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) during the financial year ended 31 December 2016, including where otherwise indicated, explanations of its alternative measures and processes.

THE BOARD OF DIRECTORS

The Board

The Board is responsible, amongst others, supervising its affairs to ensure its success within the defined parameter of acceptable risks and effective control and in compliance with the relevant laws, regulations, guidelines and directives in which it operates. It reviews management performance, ensures that the necessary resources are available to meet the Group’s objectives. The Board has delegated day-to-day operational decisions to the Executive Directors and respective Heads of Department who are also responsible for monitoring daily operational matters.

The Board has entrusted the Nominating Committee and Remuneration Committee with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

The Board has formalised the Board Charter and Code of Conduct and Business Ethics on 22 August 2013 which outline the principal role of the Board of Directors, the segregation of the roles, functions, responsibilities and powers of the Board, various Board Committees of the Company and matters reserved for decision-making by the Board; and the policies and practices of the Board in respect of matters such as conflicts of interest and convening of Board meetings. The Board Charter stated that any staff who knows of a suspected contravene or violation of the Code of Conduct, is encouraged to whistle-blow or report the guilty party or parties to his/her immediate superior or Head of Department or the Chief Operating Officer or the Board.

This Board Charter further defines the specific responsibilities of the Board of Directors, in order to enhance coordination and communication between the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the Board and more specifically, to clarify both Board and Management accountability for the benefit of the Company and its shareholders.

The Board Charter and Code of Conduct and Business Ethics are available on the Company’s website at (cstationery.com). The Board Charter and Code of Conduct and Business Ethics are reviewed by the Board once every two years to ensure their relevance and compliance. The Board had reviewed its Board Charter and Code of Conduct and Business Ethics on 23 November 2015.

The Company is committed in conducting business on the basis of morality and to create added value to its shareholders and also to put unwavering efforts to ensure that all stakeholders are fairly treated. The Company has clearly announced that it is the duty and responsibility of all Directors, Executives and staff presence to faithfully follow the Business Ethics and comply with the policies and practices stated in the Code of Conduct. The Company’s ultimate goal is to achieve its business objectives for the benefit of all stakeholders including the shareholders and the society.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

The Board (cont'd)

Recommendation 1.4 of MCGG 2012 recommends that the Board should ensure that the Company's strategies promote sustainability. Therefore, the Board acknowledges the importance of investment in corporate sustainability to the mutual benefit of both the Group and the public at large. The Board promotes good corporate governance in the application of sustainability practices through the Group, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environment, social, governance and sustainability agenda.

The Board will direct and supervise the management of the business and affairs of the Group including:

- Approval of business strategy and group operational plan and budget.
- On-going review of performance against business strategy and group operational plan, including identifying and monitoring of key risks and risk management policies and actions.
- Approval of capital expenditure above RM500,000 or as may be determined from time to time.
- Approval of bad debts write-off in excess of RM500,000 per annum or as may be determined from time to time.
- Approval of investment or divestment in a company / business / property / undertaking.
- Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- Approval of changes in the major activities of the Company or Group.
- Approval of treasury policies and bank mandate.
- Setting or variation of the authority level of the CEO.
- Approval of interim and annual financial statements after taking into consideration the recommendations of the Audit Committee.
- Approval for the release of financial announcements.
- Approval of the Annual Directors' Report and Statutory Accounts.
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
- Adoption of accounting policies after taking into consideration the recommendations of the Audit Committee.
- Approval of corporate policies and procedures after review by the CEO and senior executive(s) where appropriate.
- Review the effectiveness of the Group's system of internal control. This function is delegated to the Audit Committee which will in turn report to the Board on its findings.
- Scheme of reconstruction or restructuring.
- Any other significant business decision.
- Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.

Board Balance and Independence

The Board consists of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals. The Board consists of six (6) members comprising two (2) Executive Directors and four (4) Independent Non-Executive Directors. The profile of each Director is presented on pages 14 to 17 of this Annual Report.

The Board acknowledges the importance of board diversity, including gender diversity to the effective functioning of the Board as per Recommendation 2.2 of MCGG 2012. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, should be maintained. The Board is, however, open to board changes as and when appropriate. The Board is of the view that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender. The Board is committed to diversity and has an equal opportunity policy and there are no barriers by reason of an individual's gender, race, and religion and age.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Balance and Independence (Cont'd)

The Group has no immediate plan to implement a diversity policy as it is of the view that employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender and age. However, the Board is committed to diversity and has had an equal employment opportunity policy in promoting diversity in the Group. There are no barriers in employment or development in the Group because of an individual's gender, race, religion and age. As the Board believe that employees with diverse cultural backgrounds bring unique experiences and perceptions to the work team and benefit of the Group by strengthening productivity and responsiveness to changing conditions.

The Group's workforce statistics in terms of age, ethnic, gender and nationality as at 31 December 2016 are disclosed under "Additional Compliance Information" as stated in page 53 of this Annual Report.

Recommendation 3.5 of MCCG 2012 states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. The Chairman of the Board is Mr Chan Fung @ Kwan Wing Yin, an Executive Chairman. He is the founder of the Group and is responsible for the business strategy and development of the Group in foreign markets outside China. He has approximately 23 years of experience in the plastic stationery industry. The Board is of the view that his substantial financial interest and wide range of exposure are well placed to the convergence of two roles.

The Board took note on the clear separation of responsibility between the Executive Chairman and the CEO so as to ensure that there is a check and balance at the Board. The Chairman is primarily responsible for ensuring the Board's effectiveness whilst the CEO is responsible for the efficient management of the businesses and day-to-day operations.

Therefore, the Board is mindful of the dual role of Chairman and CEO held by Mr Chan Fung @ Kwan Wing Yin, and takes cognisance of Recommendation 3.4 of MCCG 2012 whereby the position of Chairman and CEO should be assumed by different persons. With the presence of Independent Non-Executive Directors on the Board to whom concerns of shareholders and other Directors may be conveyed, there is a strong independent element on the Board to ensure the check and balance of the perceived ascendancy and influence of the Executive Chairman. Nevertheless, the ultimate responsibility for the final decision on all matters lies with the Board.

The Company will make announcement immediately to Bursa Malaysia Securities Berhad ("Bursa Securities") upon the Board has approved the appointment of new CEO.

The Board acknowledges and takes cognisance that the current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. The Board will continue to monitor and review that Board size and composition as may be needed.

Recommendation 3.2 of MCCG 2012 recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Nevertheless, the said Independent Director may retain as Independent Director, subject to Board's justification and shareholders' approval. Presently, none of the Independent Non-Executive Directors hold office for more than (9) years as the Company was listed on 24 February 2012.

Appointment and Re-election

Appointment of new Directors to the Board or Board Committees is recommended by the Nominating Committee to the Board for approval. Under Bye-Law 88(6) of the Bye-Laws of the Company, newly appointed Directors shall retire at the next Annual General Meeting ("AGM") and shall be eligible for re-election. According to Bye-Law 89(1) of the Bye-Laws of the Company, one-third (1/3) of the Board members for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office at the AGM and shall be eligible for re-election thereafter. In accordance with the Bye-Law 89(2) of the Bye-Laws of the Company, each Director shall retire from office at least once in every three (3) years, but shall be eligible for re-election. Notwithstanding the foregoing, a Director who is over the age of seventy (70) years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Appointment and Re-election (Cont'd)

In addition, the Nominating Committee is responsible for overseeing and reviewing on an annual basis, and making recommendation of the appointment of a new member and/or Board Committee to the Board. The Nominating Committee would recommend to the Board after taking into consideration the candidates:

- (a) skills, knowledge, expertise and experience;
- (b) professionalism and integrity;
- (c) time commitment and contribution;
- (d) background, character and competence; and
- (e) in the case of the candidates for the position of the Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

Board Meeting

The Board is scheduled to meet at least four (4) times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions are to be made between the scheduled meetings. The agenda for each Board meeting is circulated to all the Directors for their perusal at least five (5) days before the Board meeting. Sufficient time and notice are provided so as to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting. However, short notice due to urgency is permissible upon getting Board's approval.

During the financial year ended 31 December 2016, the Board met ten (10) times and the attendances of the Directors are as follows:

Name of Board Members	No. of Meetings Attended
Mr Chan Fung @ Kwan Wing Yin (Executive Chairman and Chief Executive Officer)	9/10
Mr Angus Kwan Chun Jut (Executive Director)	10/10
Dr Risambessy Izaac (Senior Independent Non-Executive Director)	5/10
Mr Herman Widjaja (Independent Non-Executive Director)	10/10
Mr Ang Wei Chuan (Independent Non-Executive Director)	8/10
Mr Lim Kim Huat (Independent Non-Executive Director)	10/10

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Support and Information

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. Prior to the meetings, the Directors are provided with the agenda and the meeting papers on issues to be discussed five (5) days before the meetings to enable Directors to deliberate on the issues to be raised at the meetings and to obtain further explanations, where necessary. A record of the Board's deliberation of issues discussed and conclusion reached are captured in the minutes of the meeting by the Company Secretary. Such minutes of meetings are confirmed by the respective Board Committees and signed by Chairman of the meeting.

All Directors have access to the advice and services of the Company Secretaries. Where necessary, the Directors, whether as a Board or in their individual capacity, may engage independent professionals such as legal experts, accountants or other professional advisor and consultants at the Company's expense in the furtherance of their duties. All Directors also have access to all information within the Company whether as a full Board or in their individual capacity.

In view of the Company was incorporated under Bermuda Companies Act 1981 and listed on the Main Market of Bursa Securities, the Company has engaged two Company Secretaries for the time being i.e. Secretarius Services Sdn Bhd (Company Secretary in Malaysia) and Appleby Services (Bermuda) Ltd (Assistant Company Secretary in Bermuda) to ensure compliance of the statutory obligations under both jurisdictions.

The roles and responsibilities of the Company Secretary in Malaysia are as follows:

- (a) advise the Board and Management on corporate governance issues;
- (b) ensure compliance of listing and related statutory obligations under the Companies Act 2016, MMLR and Capital Markets and Services Act 2007;
- (c) attend the Board, Board Committees and general meetings, and ensure the proper recording of minutes;
- (d) ensure proper upkeep of statutory registers and records of the Company; and
- (e) assist the Chairman in the preparation for and conduct of meetings.

Board Committees

The Board has delegated specific responsibilities to the following Board Committees, which operate within their defined Terms of Reference. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

i) Nominating Committee

A summary about the activities of the Nominating Committee in the discharge of its duties during the financial year ended 31 December 2016 are set out in the Nominating Committee Statement on pages 54 to 56 of this Annual Report.

Recommendation 4.1 of MCCG 2012 states that the Board should set out expectations on time commitment for its members and protocols for accepting new directorships. As such, the Board should obtain this commitment from its members at the time of appointment. Directors should notify the Chairman before accepting any new directorship. The Board confirms that all directors do not exceed five (5) directorships as at the date of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

ii) Remuneration Committee

As of the date of this Annual Report, the Remuneration Committee consists of four (4) members:

Chairman

Mr Lim Kim Huat

(Independent Non-Executive Director)

Member

Mr Chan Fung @ Kwan Wing Yin

(Executive Chairman and Chief Executive Officer)

Dr Risambessy Izaac

(Senior Independent Non-Executive Director)

Mr Ang Wei Chuan

(Independent Non-Executive Director)

The Remuneration Committee is empowered and authorised to carry out its functions pursuant to its Terms of Reference. The Remuneration Committee is an integral part of the process by which the Company attracts, retains and motivates Directors with relevant experience and expertise needed after considering the recommendations of the Remuneration Committee to assist in managing the Group effectively.

All Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

The remuneration package for Directors comprises the following elements, where applicable:

- (a) Fees – the fixed annual fees to be paid to the Non-Executive Directors.
- (b) Salaries – the basic salaries for the Executive Directors as recommended by the Remuneration Committee to the Board for approval.
- (c) Other Emoluments* – Emoluments such as bonuses, retirement benefits, provision for leave, meeting allowances, statutory contributions and incentives in the form of shares/option in shares of CSL.
- (d) Benefits-in-kind** – Customary benefits such as provision of rented accommodation for expatriate Executive Directors, motor vehicle, club membership and personal expenses are made available to the Executive Directors in accordance with the policies of the Company.

All Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees. The fees payable to each of the Non-Executive Director are determined by the Board as authorised by the shareholders of the Company. The amount of fee for each of the Non-Executive Director varies with the level of responsibilities undertaken by the individual Non-Executive Director.

In addition to fixed annual Director fees, all Non-Executive Directors, save for the Chairman of the Board, are paid a meeting attendance allowance for each meeting attended. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for Executive and Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

ii) Remuneration Committee (Cont'd)

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiaries respectively for the financial year ended 31 December 2016 are as follows:

(a) Aggregate remuneration of Directors categorised into appropriate components are as follows:

(i) Received from CSL

	Fees (RM)	Salaries (RM)	Other Emoluments (RM)	Benefit-in- kind** (RM)	Total (RM)
Executive Directors					
Mr Angus Kwan Chun Jut	—	—	—	—	—
Mr Chan Fung @ Kwan Wing Yin	—	—	—	—	—
Non-Executive Directors					
Mr Ang Wei Chuan	70,000	—	8,000	—	78,000
Mr Herman Widjaja	70,000	—	10,000	—	80,000
Mr Lim Kim Huat	70,000	—	10,000	—	80,000
Dr Risambessy Izaac	70,000	—	5,000	—	75,000
Total	280,000	—	33,000	—	313,000

(ii) Received on Group basis

	Fees (RM)	Salaries (RM)	Other Emoluments (RM)	Benefit-in- kind** (RM)	Total (RM)
Executive Directors					
Mr Angus Kwan Chun Jut	—	839,150**	—	—	839,150
Mr Chan Fung @ Kwan Wing Yin	—	1,048,937.50*	—	—	1,048,937.50
Non-Executive Directors					
Mr Ang Wei Chuan	—	—	—	—	—
Mr Herman Widjaja	—	—	—	—	—
Mr Lim Kim Huat	—	—	—	—	—
Dr Risambessy Izaac	—	—	—	—	—
Total	—	1,888,087.50	—	—	1,888,087.50

* Mr Chan Fung @ Kwan Wing Yin was paid at RMB1,625,000.00 per annum. The above amount is based on the conversion rate RMB1: RM0.6455 as at 31 December 2016.

** Mr Angus Kwan Chun Jut was paid at RMB1,300,000.00 per annum. The above amount is based on the conversion rate RMB1: RM0.6455 as at 31 December 2016.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Board Committees (Cont'd)

ii) Remuneration Committee (Cont'd)

(b) The number of Directors whose income falls within the following bands is set out as follows:

(i) Received from CSL

Remuneration bands per annum	Number of Director	
	Executive Directors	Non-Executive Directors
RM50,000 and below	—	—
RM50,001 – RM100,000	—	4
RM800,001 – RM850,000	—	—
RM850,001 – RM900,000	—	—
RM900,001 – RM950,000	—	—
RM950,001 – RM1,000,000	—	—
RM1,000,001 – RM1,050,000	—	—

(ii) Received on Group Basis

Remuneration bands per annum	Number of Director	
	Executive Directors	Non-Executive Directors
RM50,000 and below	—	—
RM50,001 – RM100,000	—	—
RM800,001 – RM850,000	1	—
RM850,001 – RM900,000	—	—
RM900,001 – RM950,000	—	—
RM950,001 – RM1,000,000	—	—
RM1,000,001 – RM1,050,000	1	—

Recommendation 2.3 of MCCG 2012 recommends the Board should establish formal and transparent remuneration policies and procedures to attract and retain directors. However, the Board is of the view that the transparency and accountability are not compromised by the band disclosure as prescribed by the MMLR.

The Remuneration Committee met one (1) time during the year under review and the meeting was attended by all members, except Dr Risambessy Izaac.

iii) Audit Committee

The Company has established an Audit Committee which comprises four (4) Independent Non-Executive Directors, in compliance with the MMLR which require all the members of the Audit Committee to be Non-Executive Directors, with a majority of them being Independent Directors and the Chairman of AC is an Independent Non-Executive Director.

The Audit Committee met five (5) times during the financial year ended 31 December 2016. Full details of the composition of the Audit Committee, including its roles and responsibilities, number of meetings and attendance by the Audit Committee, a summary of the work and Internal Auditors' activities carried out by the Audit Committee during the financial year ended 31 December 2016 and its Terms of Reference can be found in the Audit Committee Report as set out on pages 42 to 49 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

THE BOARD OF DIRECTORS (Cont'd)

Directors' Training

All the Directors have attended the in-house corporate training in respect of Roles and Responsibilities of Directors in relation to Financial Statements conducted by Tricor Knowledge House Sdn Bhd on 18 August 2016, except Mr Chan Fung @ Kwan Wing Yin due to health issue, and he attended the same training on 17 November 2016. The Board recognises the need and importance of continuous education for its Board Members.

The Company Secretary will re-direct the email invitation on the seminar, breakfast talk, briefing and etc from the various professional bodies from time to time. Therefore, the Company will be able to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programme. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations. With the assistance from Nominating Committee, the Board would assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.

SHAREHOLDERS AND INVESTORS RELATIONS

The Company values dialogues with the investors and is constantly striving to improve its communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major developments of the Company. Information disseminated is in accordance to the disclosure rules and regulations of Bursa Securities and all others relevant laws and regulations.

The Board has taken steps to ensure that no market sensitive information is disclosed to any party prior to making an official announcement to Bursa Securities. The Board support the use of information technology for the effective dissemination of information as per Recommendation 7.2 of MCGG 2012. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website (cstationery.com).

The publication of principal governance information such as Board Charter and Board Committees' Terms of Reference are included in its corporate website. Investor information, financial information and corporate announcements can be accessed on the website as well.

The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining to the issues and business of the Company and the Group and to consider the resolutions being proposed. The Board is aware that pursuant to Paragraph 8.29A of the MMLR, a listed issuer must ensure that any resolution set out in the notice of any general meeting, be voted by poll. The Company must also appoint at least one (1) scrutineer to validate the votes cast at the general meeting. Such scrutineer must be independent of the person and must not be an officer of the listed issuer or its related corporation.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

SHAREHOLDERS AND INVESTORS RELATIONS (Cont'd)

The Board takes the opportunity to answer the questions raised by the shareholders during the general meeting. The Board recognises the rights of shareholders. In order to continue encouraging shareholders' participation in the general meetings, the Board would ensure that the Notice of the AGM is sent to shareholders at least twenty-one (21) days ahead of the date of general meeting and to provide sufficient time and opportunities to the shareholders to seek clarification during general meetings on any matters pertaining to the issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the operational and financial performance of the Company.

Items of special business included in the notice of AGM will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for separate issues at the meeting and the Chairman declares the percentage of proxy votes received both for and against each separate resolution where appropriate.

All the resolutions set out in the Notice of the 2016 AGM were put to vote by show of hands and duly passed. The shareholders were informed of their rights to demand for a poll. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities. The quarterly reports and financial statements are reviewed by the External Auditors, the Audit Committee and approved by the Board of Directors to ensure accuracy, adequacy and completeness of information prior to release to regulatory authorities.

The Directors are responsible for ensuring that quarterly reports and annual financial statements of the Group are prepared with reasonable accuracy from accounting records of the Group so as to give a true and fair view of the state of affairs of the Group.

In preparing the annual audited financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;
- prepared the annual audited financial statements on a going concern basis; and
- contended to the latest Malaysia Financial Reporting Standard.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Internal Control

The Board has the overall responsibility for maintaining a system of internal control and risk management that provides a reasonable assurance on the effective and efficient operations, and compliance with the relevant laws and regulations as well as with internal procedures and guidelines.

The Group's internal audit function is outsourced to a professional consulting firm. The Statement on Risk Management and Internal Control set out on pages 50 to 52 of this Annual Report provides further details of the activities of the internal audit function for the current financial year.

Recommendation 6.1 of MCCG 2012 states that the Board should establish a sound framework to manage risks. The Board is fully aware that the Board should determine the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets.

On 22 August 2013, the Board has adopted the Group Risk Management Policy and authorised Management to proceed with the necessary action for the implementation of the policy. Hence the Risk Register or risk management control sheet would be reviewed by the Head of Departments quarterly to identify, assess, monitor and record the key business risks. The Group Risk Management reports are tabled to the Audit Committee for review and the Board for notation on quarterly basis. Significant risks will be highlighted to the Board and pre-cautious steps will be implemented to prevent Company financial position being deteriorated or any interruption in business daily operation.

The Risk Management process involves the following steps:

- i. Step 1 - Risk Identification & Evaluation
- ii. Step 2 - Control Identification and Evaluation
- iii. Step 3 - Management Action

During the financial year ended 31 December 2016, the Internal Auditors had conducted review on which areas evaluation on the overall risk management framework to ascertain whether the current framework and practices were adequate and effective in managing the risks of the Company. The Internal Auditors also review the Company's internal control system in order to assess the adequacy and effectiveness of the Company's systems of internal control over the following areas/business processes:

- Human Resource & Payroll Management
- Treasury Control
- Revenue to collections & Credit Management

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

ACCOUNTABILITY AND AUDIT (Cont'd)

Relationship with Auditors

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the External Auditors. The Audit Committee has been explicitly accorded access to communicate directly with both the Internal and External Auditors.

The Board reviewed the independence, performance and remuneration of the External Auditors based on the recommendation of the Audit Committee before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit Committee has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The existing External Auditors, Messrs RT LLP has been served as the Company's External Auditors since listing of the Company in 2013. The Board is satisfied with the performance and independence of Messrs RT LLP after considering their performance. Hence, the Board at its meeting held on 31 March 2017 approved the recommendation by the Audit Committee for shareholders' approval to be sought at the forthcoming AGM on the re-appointment of Messrs RT LLP as External Auditors of the Company for the financial year ending 31 December 2017.

Details of the audit and non-audit fees paid/payable to Messrs RT LLP for the financial year ended 31 December 2016 are as follows:

	Company RM'000	Group RM'000
Statutory audit fees paid/payable to Messrs RT LLP	—	325,668.00*
Non-audit fees paid/payable to:		
- Messrs RT LLP	—	—
- Affiliates of Messrs RT LLP	—	—
	—	325,668.00

* The statutory audit fees paid/payable to Affiliates of Messrs RT LLP was paid at SGD105,000.00 per annum. The above amount is based on the conversion rate SGD1: RM3.1016 as at 31 December 2016.

This Statement was approved by the Board on 31 March 2017.