

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0050
COMPANY NAME : SYSTECH BERHAD
FINANCIAL YEAR : March 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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.

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors ("Board") of Systech Bhd ("Systech" or the "Company") upholds its responsibility in governing, guiding and monitoring the long-term performance of Systech and its subsidiaries ("Group") and for overseeing the Group's strategy and monitoring its operation which include taking into consideration the long term interests of all stakeholders, including shareholders, employees, customers, business associates and the communities in which the Group and the Company conducts its business.</p> <p>The Directors understand that the responsibility for good Corporate Governance rests with them and therefore strive to apply the broad principles and specific recommendations on structures and processes as stated in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").</p> <p>The Board is active in developing and implementing the Group's strategies, monitoring and reviewing the Group's performance.</p> <p>The Board assumes the following specific duties:</p> <ul style="list-style-type: none">a) Establishing and reviewing the strategic direction of the Group;b) Overseeing and evaluating the conduct of the Group's businesses;c) Assessment of management performance in the implementation of the Group's strategic direction and overall management of business operations;d) Ensuring the integrity of the Group's financial and non-financial reporting;e) promote good corporate governance culture;f) Identifying principal risks and ensuring that risks are properly managed;g) Establishing a succession plan;

	<p>h) Ensuring the existence of a good investor relations programme and shareholder communication policy; and</p> <p>i) Reviewing the adequacy of the internal controls and implementation of sound framework of internal controls and risk management.</p> <p>In addition, the Board has delegated specific powers to relevant Board Committees as well as the Group Chief Executive Officer (“GCEO”). The Board Committees comprise the following:-</p> <ol style="list-style-type: none"> 1. Audit and Risk Management Committee (“ARMC”); 2. Nomination Committee (“NC”); and 3. Remuneration Committee (“RC”).
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Mr Robert Koong Yin Leong is the Independent Non-executive Chairman of the Company.</p> <p>The key roles of the Chairman as set out in the Board Charter include, amongst others:</p> <ol style="list-style-type: none">1. Leading the Board in achieving its corporate objectives and long-term success of the Company.2. Ensuring effective communication with shareholders and stakeholders, in particular, at the Annual General Meeting (“AGM”) which represents the principal forum for dialogue and interaction with shareholders.3. The Chairman will have no casting vote if two (2) Directors form a quorum, or if there are only two (2) Directors competent to vote on the question at issue.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The Company adhered to good practice by having 2 different individuals to hold the positions of Chairman, being Mr. Robert Koong Yin Leong, and the Group Chief Executive Officer ("GCEO"), being Mr. Tan Hock Ann. The roles of the Chairman and the GCEO are segregated and clearly defined by their individual position descriptions.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Ms. Wong Youn Kim and Ms Chew Siok Bee are the Company Secretaries of the Company. Their competency level and continuous professional development are fulfilled with both being members of MAICSA and have attended the relevant continuous professional development programmes as required under the relevant guidelines.</p> <p>The Board members have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries advise the Board on the Company's constitutions, Board's policies and procedure and compliance with the relevant regulatory requirements, codes or guidance and legislations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All members of the Board are supplied with information in a timely manner. Board reports and papers are circulated in advance prior to Board meetings to enable Directors to obtain further information and explanations, where required, before the meetings. The notice of Board meetings are circulated to the Board members at least seven (7) days before the meeting. Directors may upon obtaining prior approval from the Board seek independent advice where necessary and at the Company's expense, on any matters in relation to the discharge of their duties.</p> <p>The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory books kept at the registered office of the Company. Minutes of Board meetings are circulated for all Board members for comments and are confirmed and duly signed by the Chairman as correct record of the said Board meeting.</p> <p>The Company Secretaries also facilitate timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	: Applied
Explanation on application of the practice	<p>The Board Charter, which is available on the Company's website at www.systech.asia serves as a primary reference point on governance matter as well as a guideline for the roles and responsibilities of the Directors and the Board Committees.</p> <p>The Board of Directors of the Company regards Corporate Governance as vitally important to the success of its business and are committed in ensuring that the principles of good governance are applied in all of the Group's dealings.</p> <ul style="list-style-type: none">• The Board is the focal point of the Group's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Group.• All Board members shall act in a professional manner, upholding the core values of integrity and enterprise in discharging their fiduciary duties and responsibilities.• All Board members are responsible to the Company for achieving a high level of good corporate governance.• This Board Charter is not an "all inclusive" document and should be read as a broad expression of principles and shall constitute and form an integral part of each Director's duties and responsibilities. <p>The objectives of this Board Charter are to ensure that all Directors are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct, and that the principles and practices of good Corporate Governance are applied in all their dealings in respect and on behalf of the Company. The Board Charter is regularly reviewed by the Board as and when required.</p> <p>The roles of the Board Committees are further detailed in the respective Committees' Terms of Reference.</p>

Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place the Code of Ethics and Code of Conduct for the Directors and employees of the Group which is published on the Company's website.</p> <p>The Board and all employees are guided by the Group's core values and policies, as well as relevant regulatory requirements and standards which regulate appropriate conduct and ethics within the Group. The Group has established the above policies and procedures to provide direction and guidance to all Directors, Senior Management, employees and external parties in the discharge of their duties and responsibilities that will be in the best interest of the Group.</p> <p>The Code of Ethics and Code of Conduct are regularly reviewed by the Board as and when required.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has formalised a Whistle Blower Policy to provide a clear line of communication and reporting of concerns for employees at all levels and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.</p> <p>The Whistle Blower Policy is made available on the Company's website and is subjected to periodic reviews by the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The Board consists of seven (7) members presently, comprising one (1) Independent Non-executive Chairman, three (3) Executive Director and three (3) Independent Non-Executive Directors (“INED”). Four (4) out of seven (7) members, in other words, more than half of the Board members are INEDs.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Charter states that the tenure of an INED should not exceed a cumulative term of nine (9) years.</p> <p>An independent director may be retained as an INED after a cumulative term of nine (9) years, subject to:</p> <ul style="list-style-type: none">(a) an assessment and recommendation of the NC; and(b) the Board recommends with strong justification for shareholders' approval in a general meeting.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The current Board consists of Directors from diverse background and specialisation, collectively bring with them a wide range of experience and expertise in areas such as business, corporate finance, legal, information technology and operations.</p> <p>The Board has adopted a Diversity Policy which set out the approach to diversity on the Board and workforce of the Group. The Board conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience.</p> <p>The NC is responsible to lead the process for the nomination of new Board appointments and making necessary recommendations. The Company had recently appointed two (2) new directors to the Board, both being women, and have a wealth of experience in relation to the Group business.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:		
Explanation for departure	:	The Board currently has two (2) women Directors. The Company is committed to managing diversity and ensuring transparency in making appointments to the Board based on principles of non-discrimination, regardless of race, ethnicity, gender, age, disability, religion or belief. At the present moment, the Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidates is solely based on the candidates’ competency, character, time commitment, integrity and experience in meeting the needs of the Group	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>In considering candidates for directorship, the NC does not solely rely on recommendations from existing board members, management or major shareholders. The NC would take into account the following:</p> <ul style="list-style-type: none">a) skill, knowledge, expertise, experience;b) professionalism;c) integrity; andd) the ability to discharge such responsibilities and functions as expected from a director. <p>The Company has set the consideration of other variety of approaches and independent sources to identify suitable candidate for appointment of Directors as one of the key priorities to consider.</p> <p>During the financial year, the Company appointed Ms Ooi Chaw Ying as an INED and Madam Chong Miew Lai as Executive Director.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	All members of the NC are INED and chaired by Mr Robert Koong Yin Leong – the Senior INED.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board conducted board assessment and evaluation on an annual basis.</p> <p>Internal evaluation was conducted through questionnaires circulated to the Board prior the NC Meeting covering various aspects pertaining to board effectiveness such as:-</p> <ul style="list-style-type: none">• The effectiveness of the Board as a whole and the effectiveness of the Board Committees;• The character, experience, integrity and competence of the Directors, and to ensure they have the time to discharge their respective roles;• The mix of skills and experience of each individual Director including the core competencies of the Non-Executive Directors; and• The level of independence of Directors. <p>Based on the evaluation on the effectiveness of the Board Committees of the Company, the NC assessed and concluded that the three (3) Board Committees namely ARMC, NC and RC have discharged their respective functions effectively during the financial year ended 31 March 2019.</p> <p>The NC also perused the evaluation forms on the level of independence of Directors which had been completed by the Independent Directors and noted that the INED have fulfilled and complied with the criteria of independence under the ACE Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the NC viewed that they continue to demonstrate their independence through their engagement in meetings, providing objective challenge to the Management and bringing independent judgment to decisions made by the Board.</p> <p>The Terms of Reference of the NC is available on the Company's website</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Remuneration Policy was established with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management. On a yearly basis, the RC reviewed and recommended to the Board the remuneration packages of the Executive Directors, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.</p> <p>In making its recommendation, the RC considered the principles set out in the Board Remuneration Policy. Board remuneration was structured to align rewards to corporate and individual performances besides adequately compensate the Directors for risks and complexities of the duties and responsibilities they assumed.</p> <p>The Board Remuneration Policy is available on the Company's website and is reviewed periodically.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The RC was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the RC are stated in its Terms of Reference which is available on the Company's website. The members of the RC are all INEDs.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration of Directors for the financial year ended 31 March 2019 in the Annual Report 2019 have been disclosed:</p> <ul style="list-style-type: none">• on a named basis; and• segregated by component e.g. Directors' fees, salary, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on estimated money value. <p>The disclosure is made on the listed issuer level, in accordance with Paragraph 11 of Appendix 9C, Chapter 9 of the ACE Listing Requirements of Bursa Securities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that the disclosure of key management's remuneration will be counterproductive due to the competitive environment for talent in the information technology industry. The Group has benchmarked the remuneration of key management to the industry in which it operates in and ensures that their remuneration commensurate with the scope of work, responsibilities as well as their performance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the ARMC is not the Chairman of the Board:- <ul style="list-style-type: none"> • The Chairman of the Board of Directors' is Mr Robert Koong Yin Leong, an INED; and • The Board's ARMC Chairman is Terence Selvarajah A/L Peter Selvarajah, an INED. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has never appointed former key audit partners to its Board of Directors.</p> <p>The Company will revise the Terms of Reference for ARMC to include a cooling-off period of at least two years if any former key audit partner is considered as candidate for ARMC in the future.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through its ARMC maintains a formal and transparent relationship with its External Auditors. The Board had delegated the responsibility to the ARMC for making recommendations on the appointment, re-appointment or removal of the External Auditors as well as on their remunerations.</p> <p>The ARMC ensured that the External Auditors work closely with the Internal Auditors to enhance the effectiveness of the overall audit process. The ARMC assessed the performance and effectiveness of the External Auditors annually, considering amongst others, their qualifications, effectiveness of the audit process, quality of service and their independence.</p> <p>During each financial year, the ARMC will meet with the External Auditors at least once without the presence of the Executive Directors and members of the management to enable the External Auditors to highlight to the ARMC any pertinent issues relating to the audit being carried out.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted								
Explanation on adoption of the practice	:	<p>The Terms of Reference of the ARMC states that the membership of ARMC shall consist of not less than three (3) members, the majority of whom shall be Non-Executive Directors. The Chairman of the Committee shall be an INED.</p> <p>The all members of the current ARMC comprise INEDs consisting the following members:-</p> <table border="1" data-bbox="539 902 1382 1077"> <thead> <tr> <th data-bbox="539 902 963 938">Name</th> <th data-bbox="963 902 1382 938">Designation</th> </tr> </thead> <tbody> <tr> <td data-bbox="539 938 963 1005">Terence Selvarajah A/L Peter Selvarajah</td> <td data-bbox="963 938 1382 1005">Chairman, INED</td> </tr> <tr> <td data-bbox="539 1005 963 1041">Robert Koong Yin Leong</td> <td data-bbox="963 1005 1382 1041">Member, INED</td> </tr> <tr> <td data-bbox="539 1041 963 1077">Chuar Sew Tin</td> <td data-bbox="963 1041 1382 1077">Member, INED</td> </tr> </tbody> </table>	Name	Designation	Terence Selvarajah A/L Peter Selvarajah	Chairman, INED	Robert Koong Yin Leong	Member, INED	Chuar Sew Tin	Member, INED
Name	Designation									
Terence Selvarajah A/L Peter Selvarajah	Chairman, INED									
Robert Koong Yin Leong	Member, INED									
Chuar Sew Tin	Member, INED									

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.

Application	:	Applied
Explanation on application of the practice	:	All members are financially literate and are able to understand matters under the preview of the ARMC including the financial reporting process. Robert Koong Yin Leong is an Associate Member of the Chartered Institute of Management Accountants, United Kingdom and he is also currently the Group Financial Controller of SMIS Corporation Berhad, a company listed on the Main Market of Bursa Securities. During the financial year, all the Directors had participated in various training programs.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.</p> <p>To discharge these responsibilities, the Board is assisted by the ARMC in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management.</p> <p>The Board is supported by the Management in developing, implementing and monitoring sound practices for identifying and managing strategic, financial and operational risks and for providing assurance that risk management and internal control practices with respect to the conduct of business are implemented and adhered to within the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The key features of the Company's risk management and internal control framework, which covers their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control on pages 32 to pages 34 of the 2019 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	All members of the current ARMC are INEDs as listed in Practice 8.4 above.

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.

Application	:	Applied	
Explanation on application of the practice	:	The Group's internal audit function is carried out by an outsourced internal audit firm, Baker Tilly Governance Sdn Bhd, which is independent of the activities it audits. The scope of work is proposed by the outsourced internal audit firm and they report directly to the ARMC and assist the ARMC in the discharge of its duties and responsibilities.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function is carried out by an outsourced internal audit firm, namely Baker Tilly Governance Sdn Bhd which is independent of the activities it audits.</p> <p>The Head of the Internal Auditors is a member of Institute of Internal Auditors Malaysia and is competent to conduct the internal audit activities according to the standards and code of ethics set by the body.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has adopted a Corporate Disclosure Policy which is available on its website and is periodically reviewed and updated. The Company strives to promote a better understanding of the Group through investor relation activities. Apart from general meetings, the Company has in place the following initiatives to facilitate effective communication with its shareholders:</p> <ul style="list-style-type: none"> (a) the Annual Report, which contains information such as Management Discussion and Analysis, financial statements, and information on the ARMC, Corporate Governance, Sustainability and Corporate Social Responsibility, and Risk Management and Internal Control; (b) various announcements made to Bursa Securities, which include timely release of financial results on a quarterly basis. Concurrent with these releases, the Company posts all announcements on its website; (c) attending to shareholders’ and investors’ emails and phone enquiries; and (d) the Company’s website under Announcements and Investor Relations sections, house the Board Charter, annual reports, quarterly report announcements, press releases, and other corporate information. The website also provides Investor Relations contact for shareholders to direct their queries or concerns to.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not considered a Large Company as its market capitalisation is less than RM2 billion at the present moment, The Company would consider adopting integrated reporting based on globally recognised framework when the need arises.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The Notice of AGM for financial year ended 31 March 2019 to be held on 31 July 2018 was served on 3 July 2018 which is more than 28 days prior to the date of the AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors will attend General Meetings and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending General Meetings.</p> <p>At the previous AGM, all Directors attended in person and personally addressed questions or issues raised by shareholders.</p> <p>The Chairman of the Board Committees were also present to address questions. These included the Chairman of the respective Committees.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company's general meetings are held at its operating head office and not at remote locations.</p> <p>To encourage Shareholders participation, those Shareholders who are unable to attend the general meeting could appoint a proxy to represent and exercise their votes.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		