

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0104  
**COMPANY NAME** : GENETEC TECHNOLOGY BERHAD  
**FINANCIAL YEAR** : March 31, 2018

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the key role it plays in charting the strategic direction of the Group, comprising the Company and its subsidiaries. To achieve this, the Board has carried out the following activities during the financial year under review and up to the date of this Corporate Governance Report:</p> <ol style="list-style-type: none"><li>1. Discuss and review the strategic business planning at its scheduled Board meetings twice a year in meeting the objectives and goals of the Group. A comprehensive Group budget was developed towards meeting such objectives and goals of the Group for the Board approval.</li><li>2. Review of quarterly and year-end results of the Group prior to announcement of the same to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board was kept abreast of the Group's business performance through a comprehensive set of financial and business update reports, financial analysis and ratios as well as updates on major business transactions.</li><li>3. Considered the internal audit reports, which were reviewed by the Audit Committee based on the presentation by the independent outsourced internal audit function, and endorsed corrective actions based on the recommendations proposed by the internal audit function. The Board also has received formal assurance from the Chief Operating Officer and Financial Controller that the Group's system of risk management and internal control is sound and adequate in all aspects. These processes served to apprise the Board on the adequacy and operating effectiveness of the Group's system of risk management and internal controls.</li><li>4. The Company has in place Remuneration Policy for Directors and Senior Management with the aim to support the Company's key strategies and create a strong performance-orientated</li></ol>

	<p>environment, and be able to attract, motivate and retain Directors and Senior Management. Performance-based incentives and retention incentives were provided to Executive Directors and Senior Management to ensure the business was conducted effectively towards meeting strategic objectives of the Group.</p> <p>5. The Board through Audit Committee and Risk Management Committee, was apprised of the risk covered governance, compliance, business, operational and financial control across all business units. Significant risks were singled out with remedial measures implemented to manage such risks to acceptable levels. Refer to the Statement on Risk Management and Internal Control as set out in the 2018 Annual Report providing an overview of the state of the risk management and internal controls within the Group.</p> <p>6. Considered succession of Board members as well as Key Senior Management personnel, the review of which was performed by the Nomination Committee as part of its remit; and</p> <p>7. The Board had adopted an open and transparent policy in respect of its relationship with the Company's stakeholders via several methods of communication such as constructive engagements with shareholders, general meetings and corporate website. The Board also established and adopted a Corporate Disclosure Policy and Shareholders Communication Policy to govern the process of making timely and accurately business, operations and financial information available to the public and shareholders. Both policies are available on the Company's website at <a href="http://www.genetec.net">www.genetec.net</a>.</p> <p>The Board has delegated specific powers to the Chairman, the Managing Director, the Executive Director and the following Board Committees with clearly defined terms of reference :-</p> <ol style="list-style-type: none"> <li>i. Audit Committee</li> <li>ii. Nomination Committee</li> <li>iii. Remuneration Committee</li> <li>iv. Risk Management Committee</li> <li>v. Employees' Share Option Scheme Committee</li> </ol> <p>While the Board Committees have their own functions and delegated roles, duties and responsibilities, they will report to the Board with their decisions and/or recommendations. Notwithstanding the delegation of specific powers, the Board remains its full responsibility for the direction and control of the Group to safeguard the interests of the shareholders and to enhance shareholders' value.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

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

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

**Intended Outcome**

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

**Practice 1.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr Hew Voon Foo, the Chairman of the Board, holds a Non-Executive position is responsible to instilling the good corporate governance practices, leadership and composition of the Board.</p> <p>The roles of the Chairman are clearly delineated in the Board Charter, amongst others, including the following:</p> <ul style="list-style-type: none"> <li>(a) leading the Board in setting the values and ethical standards of the Company;</li> <li>(b) ensuring that quality information to facilitate decision-making is delivered to Board members on a timely basis;</li> <li>(c) ensuring appropriate steps are taken for the provision of communication with shareholders and relevant stakeholders and their views are communicated to the Board as a whole;</li> <li>(d) facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors;</li> <li>(e) facilitating regular evaluation of performance of the Board members, its committees and individual Directors;</li> <li>(f) ensuring the financial management practices are performed at high level of integrity and business dealings are carried out in an ethical manner in compliance with the laws and regulations;</li> <li>(g) leading the Board in establishing and monitoring good corporate governance practices in the Company.</li> </ul> <p>The Chairman also cultivates a healthy working relationship with the Managing Director and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to all the stakeholders.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

### Intended Outcome

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

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board, Mr Hew Voon Foo and the Managing Director, Mr Chin Kem Weng, both holding separate position and their respective roles and responsibilities are governed in the Company's Board Charter.</p> <p>There is a clear differentiation of duties/responsibilities between the Chairman and the Managing Director to ensure that there is a balance of control, power and authority.</p> <p>The Chairman is responsible for leading and ensuring the adequacy and effectiveness of the Board's performance and governance process, and effective and smooth interaction of the overall Board and individual Directors, both within and outside the Boardroom as well as driving the discussion towards consensus and to achieve closure in every discussion. The Managing Director with the assistance and support from the Executive Director and Key Senior Management implements the Group's decision and policies as adopted by the Board, overseeing the operations as well as developing, coordinating and implementing business and corporate strategies.</p> <p>The clear distinction of the roles and responsibilities of Chairman and Managing Director are defined in Section 4 of the Board Charter which is available on the "Corporate Governance" section of the Company website at <a href="http://www.genetec.net">www.genetec.net</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is assisted by an in-house professional qualified and competent company secretary who is a registered member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") in the discharge of her functions with her attendance on all Board and Board Committees' meetings and advises the Board on its roles and responsibilities, corporate disclosures and compliance regulations and requirements; and monitored corporate governance developments and assisted the Board in applying governance practice to meet the Board's needs while balancing stakeholders' expectation.</p> <p>The company secretary coordinated and attended all meetings of the Board and Board Committees in which she is also the secretary to the Board Committees held throughout the financial year. The company secretary ensures accurate and proper records of the proceedings and resolutions passed are maintained accordingly at the registered office of the Company. The Board is updated by the company secretary on the follow-up of its decisions and recommendations by the Management.</p> <p>All directors have direct access to the advice and services of the company secretary in discharging their duties effectively.</p> <p>The company secretary constantly keeps herself abreast of the regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. She also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia, Bursa Securities and MAICSA. The Board is satisfied with the performance and support rendered by the company secretary to the Board in discharging its functions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

**Intended Outcome**

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

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Director's time planning, annual Board and Board Committee meetings calendar and the closed periods for dealing in securities by Directors based on the targeted dates of announcements of the Group's quarterly results are circulated in advance of each new calendar year by the company secretary.</p> <p>The notice of meetings are sent to Directors and invitees via email at least 7 days prior to the meeting. The management is notified on the relevant agenda and the deadline for submission of meeting materials.</p> <p>Prior to each Board meeting, all Directors are provided with the relevant documents and information typically no later than five (5) working days before the meeting to enable them to obtain a comprehensive understanding of the agenda to be deliberated upon and to obtain further explanation or clarification to facilitate the decision-making process and enable them to arrive at an informed decision.</p> <p>Draft minutes are confirmed by management before circulation to the Board. The draft minutes of which is circulated for Board and Board Committees to review within a reasonable timeframe after the meeting. The deliberations and conclusion of issues discussed in the Board and Board Committees meetings are duly recorded in the minutes and signed by the Chairman at the subsequent Board Meeting.</p> <p>The company secretary is responsible in ensuring the meeting procedures are followed, minutes of meetings are well documented, including matters where Directors abstained from voting or deliberation, circulated and confirmed as a correct record by the Board and Board Committees at the following meeting. The signed and confirmed correct Board and Board Committee minutes are entered into minutes books keep in accordance with statutory requirements.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had formalised a Board Charter setting out the objectives of the Board, duties, responsibilities and functions of the Board and Board Committees, the Chairman and the Managing Director in accordance with the principles of good governance sets out in the policy documents and guidelines issued by the regulatory authorities. The Board Charter is available on the Company's website at <a href="http://www.genetec.net">www.genetec.net</a>.</p> <p>The Board Charter serves as a reference providing Board members and management insight into the function of the Board specific reserve matters covering areas such as strategy and business planning, finance and controls, people, compliance, support and assurance are entrenched in the Board Charter.</p> <p>The Board Charter embodies the Company's governance practices. It provides reference for the Directors' roles and responsibilities, duties and functions. It outlines processes and procedures for the Board in discharging their stewardship.</p> <p>The Board Charter also clearly defines the Terms of Reference of the Board Committees such as Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. The Board will review the Board Charter periodically and make any necessary amendments as and when the need arises to ensure it remain consistent with the Board's objectives, current development and practices.</p> <p>The Board at its Board of Directors Meeting held on 28 February 2018 had reviewed and approved the Revised Board Charter to keep pace with changes in the Company's policies, procedures and processes as well as to new changes in relevant legislations and regulations.</p>
<b>Explanation for departure</b>	:	

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

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.1**

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established the Code of Ethics and Code of Conduct for all Directors and employees of the Group.</p> <p><b>Code of Ethics</b></p> <p>The Board observes high standard of ethical conducts based on the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. The Code of Ethics provides guidance for proper standards of conduct with sound and prudent practices as well as standards of ethical and behaviour for Directors and employees, in line with the Company's core values. Directors and employees are expected to conduct themselves with the highest ethical standards and corporate governance.</p> <p>The Directors are required to notify the Company of any potential conflict of interest that may affect them in their role as Director of the Company under the Code of Ethics. All potential conflicts of interest are reviewed by the Board periodically.</p> <p><b>Code of Conduct</b></p> <p>The Company's Code of Conduct governs the professional conduct of its employees and outlines their responsibilities to the Group in performing their duties. The various policies and guidelines within the Code of Conduct spell out the standards and ethics that all Directors and employees are expected to adhere to in the course of their work. The Code of Conduct is designed to maintain discipline and order in the workplace among employees at all levels.</p> <p>Both Code of Ethic and Code of Conduct is available on the Company's website at <a href="http://www.genetec.net">www.genetec.net</a> and to be observed by all Directors and employees of the Group.</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company had established and incorporated a Whistleblowing Policy in its Employees Handbook and Board Charter. The policy outlined the grievance procedure for Directors and employees as well as handling of reported violations and whistleblower protection.</p> <p>This policy is to facilitate Directors and employees to disclose any misconduct or criminal offence through internal channel. Such misconduct or criminal offences include the following:</p> <ul style="list-style-type: none"><li>i. Fraud;</li><li>ii. Corruption, bribery or blackmail;</li><li>iii. Abuse of Power;</li><li>iv. Conflict of Interest;</li><li>v. Theft or embezzlement;</li><li>vi. Misuse of Company's Property;</li><li>vii. Non-Compliance with Procedure.</li></ul> <p>The Audit Committee is responsible for overseeing the implementation of the Whistleblowing Policy for the Company, and all whistle-blowing reports are addressed to the Audit Committee Chairman.</p> <p>The Whistleblowing Policy is available on the Company's website at <a href="http://www.genetec.net">www.genetec.net</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

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

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Currently, the Board is made up of 6 Directors, 3 of whom are Independent Non-Executive Directors, namely:</p> <ol style="list-style-type: none"> <li>1) Mr Hew Voon Foo</li> <li>2) Ms Wong Wai Tzing</li> <li>3) Mr Teh Kim Seng</li> </ol> <p>Hence the Independent Directors which constitute 50% of the composition of the Board complied with this practice.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>The Board has a Director, namely Mr Hew Voon Foo who has served the Company as Independent Director for a cumulative term of more than nine (9) years.</p> <p>The Board on the recommendation of the Nomination Committee who has carried out an assessment of the Directors has recommended that Mr Hew Voon Foo who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be retained and continue to act as Independent Non-Executive Director of the Company for the ensuring year based on the following justifications:</p> <ul style="list-style-type: none"><li>(a) He fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Securities.</li><li>(b) He has familiarised himself with the business and provides the element of objectivity to the Board of Directors.</li><li>(c) He has actively participated in the board meetings and possesses the appropriate competencies to enable him to apply professional judgment.</li><li>(d) He has devoted sufficient time and efforts and exercised due care in all undertakings of the Company and has acted and carried out his fiduciary duties in the interest of the Company during his tenure as Independent Director.</li></ul> <p>Mr Hew will be seeking shareholders' approval on his re-appointment as Independent Non-Executive Director at the forthcoming Annual General Meeting.</p>
<b>Explanation for departure</b>	:	

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

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

**Intended Outcome**

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

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Any new appointments of Board or senior management shall be based on merits, objective criteria and with regard for diversity in skills, experience, age, cultural background and gender.</p> <p>The Board has in place a set of director selection criteria for used in the selection and recruitment process as documented in the Procedures for Selection and Appointment of New Directors. This set of criteria will be used as reference by the Human Resource department for selection and recruitment of senior management of the Group.</p> <p>The Profile of Board of Directors and the Key Senior Management are set out in the Annual Report 2018.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has in place a Diversity Policy which has been incorporated in the Board Charter. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Any new appointments of Board or senior management shall be based on merits, objective criteria and with regard for diversity in skills, experience, age, cultural background and gender.	
		The policy on 30% women Director has yet to be formally adopted by the Company but the Company shall endeavour to improve the number of women Directors on Board, based on predetermined skill sets and competencies. Currently, there is 1 female Director namely Ms Wong Wai Tzing, who is an Independent Non-Executive Director, is the only female Director in the Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	For any vacant Board position in the future, the Board when sourcing for suitable candidates in line with the recommendation of the MCGG.	
<b>Timeframe</b>	:	Others	As and when required

**Intended Outcome**

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

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There was no new appointment of director for the financial year ended 31 March 2018.</p> <p>The Company has in place a formal and transparent procedure for the appointment of new directors to the Board via Nomination Committee. The recruitment or appointment of Directors procedure is documented in the Procedures for Selection and Appointment of New Directors. The Nomination Committee, which comprises exclusively of Non-Executive Directors, the majority being independent, is empowered to identify and recommend to the Board, nominees qualified to serve on the Board and Board Committees.</p> <p>Nominations may come from a wide variety of sources, including recommendation by the existing board members, management or major shareholders, Directors' registry, industry and professional associations, independent search firms and open advertisement. It may obtain independent professional or other advice and may request the attendance of persons at meetings, if necessary.</p> <p>The appointment of a new director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is chaired by Mr Hew Voon Foo who is an Independent Non-Executive Director of the Company.</p> <p>As included in the duties of Nomination Committee enlisted in the Term of Reference, the Nomination Committee, led by the Chairman, are responsible for the followings:</p> <ul style="list-style-type: none"> <li>(a) To recommend to the Board or consider the proposed candidates by the officer, director or shareholder, within the boundary of practicability, candidates for directorship in the Company to be appointed either as an additional Director or to fill a vacancy or to be re-elected upon retirement by rotation at an annual general meeting of the Company.</li> <li>(b) To consider, in making its recommendations, for candidate(s) who are nominated for appointment or re-election onto the Board and senior management.</li> <li>(c) To recommend to the Board, Directors to fill the seats on any Board Committee(s) as may from time to time be established by the Board for the Company.</li> <li>(d) To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.</li> <li>(e) To carry out on an annual basis, a formal assessment of the effectiveness of the Board as a whole, the committees of the Board, and assessing the contribution of each Director, including Independent Non-Executive Directors as well as the Chief Executive Officer.</li> <li>(f) To assist the Board in reviewing the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with their Terms of Reference.</li> <li>(g) To recommend to the Board the suitable candidates for the role of senior independent director, as applicable.</li> <li>(h) To assist the Board in evaluating potential successors, taking into account the challenges and opportunities facing the Company, and the skills and expertise, including diversity, needed on the Board in the future; and periodically report to the Board on succession planning for the Executive Chairman/Directors and key management personnel.</li> </ul>

	<p>(i) To review the induction and training needs of Directors and ensure the training programme attended by the Directors must be one that aids the Director in discharge of his duties.</p> <p>The Chairman of the Nomination Committee reports to the Board on the outcome of the committee meetings.</p> <p>During the financial year ended 31 March 2018, the Nomination Committee performs the annual review on performance of individual Directors and the Board as a whole comprising performance evaluation of the Board and Board Committees; Directors' self and peer evaluation; self-assessment of independence performed by the Independent Directors; and terms of office and performance of the Audit Committee and each of the members.</p> <p>In reviewing on the independence and continuity of the Independent Director who had served the Board of the Company for a tenure of more than 9 years, the Chairman of the Nomination Committee, being the director subjected to review, abstained from the conduct of review to ensure that the Committee's independence is preserved in relation to such assessment, and fair review was performed.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

**Intended Outcome**

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

**Practice 5.1**

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee has a formal assessment mechanism in place to assess on an annual basis, the effectiveness of the Board Committees, the Board as a whole and the contribution of each individual Director, including the independence of the Independent Non-Executive Directors.</p> <p>The Board's performance evaluation was conducted via Board and Board Committee Evaluation Form with recommended evaluation criteria per Corporate Governance Guide issued by Bursa Securities, which includes board mix and composition, quality of information and decision making and board activities.</p> <p>The results of the assessments are compiled by the company secretary who is also the secretary of the Nomination Committee. The results of the assessments will be tabled in the form of a summary by the Nomination Committee Chairman to the Board for the Board's review and deliberation. The Board members will take note on areas which require more attention and improvement. The results of the assessments also form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the Annual General Meeting.</p> <p>The Nomination Committee has also conducted the annual review of the terms of office and performance of the Audit Committee and each of the members to ensure that they have carried out their duties and function in accordance with the Terms of Reference.</p> <p>The Nomination Committee reviewed and satisfied with the board composition, mix of skills, knowledge and experience and other qualities and competencies of the Directors for effective functioning of the Board.</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee has in place Remuneration Policy for Directors and Senior Management; and Remuneration Framework. The Remuneration Policy for Directors and Senior Management was reviewed on 28 February 2018 and administered by the Remuneration Committee. This policy is designed with the aim to support the Company's key strategies and create a strong performance-orientated environment, and be able to attract, motivate and retain directors and senior management.</p> <p>The Remuneration Committee is responsible to recommend to the Board on the appropriate remuneration packages of the Directors and Senior Management in all its forms, drawing from outside advice as necessary and to review each of their remuneration packages annually in order to attract, motivate and retain the Directors and Senior Management. The Remuneration Committee aims to ensure that the remuneration package is robust and effective as to link the Executive Directors and Senior Management's reward to their contributions to the Company's growth and profitability. In the case of Non-Executive Directors, the level of remuneration shall be linked to their experience and the level of responsibilities undertaken.</p> <p>The remuneration package and fees of the Directors and Senior Management shall be reviewed by Remuneration Committee annually and to report the results of the review to the Board for deliberation and approval.</p> <p>The Remuneration Policy for Directors and Senior Management will be periodically reviewed by the Board to ensure it remains effective, consistent with the Board's objectives and responsibilities and in line with the relevant laws and legislations. This Remuneration Policy for Directors and Senior Management is made available on the Company's website at <a href="http://www.genetec.net">www.genetec.net</a>.</p>

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

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee was formed to assist the Board in determining, developing and recommending an appropriate remuneration policy and remuneration package for directors and senior management so as to attract, retain and motivate the directors and senior management. The Remuneration Committee members comprise wholly of Non-Executive Directors and majority of them are Independent Directors.</p> <p>The Remuneration Committee reviews the performance of the Directors of the Company and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are competitive and are in tandem with the Company's corporate objectives, culture and strategy.</p> <p>The recommendation to the Board was made based on the results of the evaluation and review of the Committee conducted on an annual basis. The Managing Director is tasked to review and assess the remuneration packages of the senior management of the Group.</p> <p>The Remuneration Committee held a meeting during the financial year ended 31 March 2018 with full attendance by the members to review the proposed revision of director fees for Non-Executive Directors, proposed remuneration package of Executive Directors and Senior Management and with such recommended directors' fees and remuneration packages were submitted to the Board for approval or recommendation to shareholders, as applicable.</p> <p>The remuneration package of the Executive Directors and Senior Management were approved by the Board with recommendation from the Remuneration Committee. Remuneration package of Non-</p>

	<p>Executive Directors will be a matter to be decided by the Board as a whole with the Directors concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration. Fees and benefits payable to the Directors is determined by the Board with the approval from shareholders at the Annual General Meeting.</p> <p>The Remuneration Committee operates under clearly defined Terms of Reference which states the duties and authorities of the Committee. Terms of Reference of Remuneration Committee with last review performed on 28 February 2018 are published on the Company's website.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### Intended Outcome

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

### Practice 7.1

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

<b>Application</b> :	Applied							
<b>Explanation on application of the practice</b>	Details of the total remuneration of individual Director, categorised into respective components for the financial year ended 31 March 2018, are as follows:							
		<b>Fees</b>		<b>Salaries</b>	<b>Bonus</b>	<b>Benefits-in-kind</b>	<b>Total</b>	
		<b>Group</b>	<b>Company</b>				<b>Group</b>	<b>Company</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>Executive Directors</b>							
	Chin Kem Weng	-	-	864,664	392,800	28,000	1,285,464	1,285,464
	Tan Moon Teik	-	-	497,150	370,000	60,000	927,150	-
	<b>Non-Executive Directors</b>							
	Hew Voon Foo	72,000	72,000	-	-	-	72,000	72,000
	Wong Wai Tzing	36,000	36,000	-	-	-	36,000	36,000
	Teh Kim Seng	36,000	36,000	-	-	-	36,000	36,000
	Chen Khai Voon	36,000	36,000	-	-	-	36,000	36,000
	<b>Total</b>	<b>180,000</b>	<b>180,000</b>	<b>1,361,814</b>	<b>762,800</b>	<b>88,000</b>	<b>2,392,614</b>	<b>1,465,464</b>
<b>Explanation for departure</b>								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>								
<b>Measure</b> :								

<b>Timeframe :</b>		
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**Intended Outcome**

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

**Practice 7.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Remuneration Committee and the Board are of the view that it is not to the Company's advantage or best interest to disclose the senior management personnel names and the various remuneration components in details considering the highly competitive market for senior management personnel with the requisite knowledge, technical expertise and working experience in the industry the Company operates. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.</p> <p>As an alternative, the Remuneration Committee and the Board believes that the disclosure of Senior Management's remuneration that includes the top 5 Senior Management in the audited financial statements are adequate as it complies with the requirements of Paragraph 17 of MFRS 124 "Related Party Disclosures".</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

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

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>On 28 February 2018, the Board agreed to re-designate Mr Teh Kim Seng as Chairman of the Audit Committee in place of Mr Hew Voon Foo.</p> <p>Mr Hew Voon Foo remains as Chairman of the Board.</p> <p>With the above re-designation, the Chairman of the Company's Audit Committee is not the Chairman of the Board with effect from 28 February 2018.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The policy on observation of a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as an Audit Committee member is incorporated in the Auditors Policy which has been approved and adopted by the Board on 28 February 2018.  Presently, no member of the Audit Committee is former key audit partner of the Group's external auditors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has on 28 February 2018 established the Auditors Policy to outline the guidelines and procedures for the Audit Committee to assess and monitor the performance of the auditors (for both external and internal auditors). The policies and procedures to assess the suitability, objectivity and Independence of the external auditors is stipulated in Auditors Policy.</p> <p>The Audit Committee is empowered by the Board to review all issues in relation to the reappointment of external auditors. During the financial year under review, the Audit Committee conducted performance evaluation and independency assessment on external auditors based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Securities via an evaluation survey questionnaires based on the following key areas with the answers being collated, summarised and deliberated during the Audit Committee meeting:-</p> <ul style="list-style-type: none"><li>• Calibre of external auditors;</li><li>• Quality processes/ performance;</li><li>• Audit team</li><li>• Independence and objectivity;</li><li>• Audit scope and planning;</li><li>• Audit fee; and</li><li>• Audit communications.</li></ul> <p>The Audit Committee has obtained a 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 external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors.</p> <p>The Audit Committee will also observe the professionalism, openness in communication and interaction with the external auditors through private discussions if they demonstrate their independence. The Audit Committee met with the external auditors twice during the financial year under review in the absence of management.</p>

	Having regarded the meetings (including the private sessions held) with the external auditors and the assessment of the suitability of the external auditors performed, the Audit Committee and the Board is of the opinion that the external auditors was suitable and able to deliver the assurance engagement professionally and diligently with sufficient level of independence under the relevant laws and regulations and recommended their reappointment to the Board, upon which the shareholders' approval was sought at the Annual General Meeting.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Audit Committee comprised of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director whom amongst them possess a mix of skills, experience and qualification ranging from chartered accountant, equity research analyst, chief operating officer, directors of several private companies. Financial literacy is part their qualification and line of work.</p> <p>The Nomination Committee reviews the term of office and performance of the AC and each of its members annually and concurrently with the annual Board assessments. An assessment of the effectiveness of the Audit Committee was performed through Audit Committee Evaluation Questionnaire based on the criteria adopted from Corporate Governance Guide issued by Bursa Securities focuses on quality and composition, skills and competencies, meeting administration and conduct as well as the activities carried out by the Audit Committee.</p> <p>The Board is satisfied with the Audit Committee's performance as the Chairman and its members possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the Audit Committee. All Audit Committee members are financially literate, have sufficient understanding of the Group's business and commercial expertise skills required to discharge their roles and responsibilities effectively.</p> <p>All Audit Committee members had keep themselves abreast of relevant development in accounting and auditing standards, practices and rules. During the Audit Committee Meetings, the members were briefed by the external auditors on the development or changes in applicable Malaysian Financial Reporting Standards, International Financing Reporting Standards and relevant accounting requirements under the Companies Act 2016.</p>

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

**Intended Outcome**

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

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

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its responsibility for maintaining a sound system of internal control and risk management. The Company had formed a Risk Management Committee headed by the Chief Operating Officer and Heads of Departments.</p> <p>The Board has adopted a comprehensive risk management framework that stipulates the risk management policy, definitions of risks and controls, Group risk management reporting structure and terms of reference for Risk Management Committee. The Group refers to ISO 31000 Risk Management Standard as a guideline for identifying, evaluating, managing and monitoring significant risks by the Group in order to align its risk management processes with the ever-changing business environment. The Group adopts control objectives and procedures from the ISO 9001 for its day-to-day operational processes and implements Group's standard operating policies to mitigate business risks and negative outcome.</p> <p>The ongoing process for identification, evaluation and management of significant risks which has been integrated and embedded into the Group operations and is continuously reviewing its adequacy and effectiveness to safeguard shareholders' investment and Group assets.</p> <p>The Group outsourced its internal audit function to an independent professional service provider. The internal auditors conducted independent audit on the departments and functions within the Group and reported their findings to the Audit Committee during its quarterly meetings.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

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

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

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board acknowledges its responsibility to establish and maintain a sound system of risk management and internal control for the Group and affirm its commitment for reviewing the adequacy and integrity of the system and the effectiveness of the risk management practices to safeguard the shareholders’ investments and the Group’s assets.</p> <p>Adequacy and effectiveness of the key risk management and internal control processes are reviewed and disclosed under the Statement on Risk Management and Internal Control (the “Statement”) of the Company’s Annual Report.</p> <p>On an annual basis, the Board would have received formal assurance from the Chief Operating Officer and Financial Controller stating that the Group’s risk management and internal control system operated adequately and effectively, in all material aspects, for the financial year under review.</p> <p>The Board is of the view that the risk management and internal control system put in place during financial year and up to the date of approval of the Statement is sound and adequate to safeguard shareholders’ investment and the Group’s assets. The Board remains committed to strengthen the risk management and internal control environment of the Group.</p> <p>The Group has engaged an independent professional service provider (“the Internal Auditors”) to carry out its internal audit functions. The Internal Auditors had conducted an assessment of the risks applicable to the Company and its operating subsidiary of the Group. Risks are assessed in terms of their likelihood and impact to the organisation. Arising from the audit performed, the Internal Auditors highlighted to the Management certain areas for improvement. The Internal Auditors had also presented their reports to the Audit Committee for deliberation. In turn, the Audit Committee had also reported to the Board of Directors the internal audit findings, the recommendations for improvements and the response from Management thereto.</p>

	<p>The Board is of the view that there were no significant breakdowns or weaknesses in the system of internal controls of the Group that resulted in material losses incurred by the Group for the financial year under review and the internal control system in place is effective up to the date of approval of the Statement. The Group will continue to take the necessary measures to ensure that the system of internal controls is in place and functioning effectively in all material aspects.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group is outsourced to CGRM Infocomm Sdn Bhd (“CGRM”), an independent professional services firm that is a corporate member of the Institute of Internal Auditors (“IIA”) Malaysia. The Executive Director in-charge of the engagement, in her capacity as the head of the internal audit function, is also an individual member of the IIA.</p> <p>On an annual basis, CGRM would provide the Board with a signed declaration of competency and list of training attended by the audit engagement team.</p> <p>To date, three (3) internal audit reviews have been performed with reference to the Internal Standards for Professional Practice of Internal Auditing with reports prepared and presented to the Board vide the Audit Committee.</p> <p>The internal audit charter which was approved by the Audit Committee stipulates, amongst others, the internal auditors’ role, scope and authority, organisation status and reporting structure, independence and objectivity and responsibilities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 10.2**

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function of the Group is outsourced to an independent professional service firm, CGRM, where CGRM is a Corporate member of The Institute of Internal Auditors Malaysia (IIAM). The appointment of the service provider followed an assessment of its suitability, independence and capability as stipulated in the Auditors’ Policy by the Audit Committee.</p> <p>The internal audits are free from any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit function. Sterling reports directly to the Audit Committee. CGRM has provided a written declaration to the Audit Committee that they have affirmed their independence and objectivity in carrying out their duties and responsibilities per their engagement contract.</p> <p>The engagement team comprised of one (1) engagement director, one (1) quality control reviewer and two (2) internal auditors.</p> <p>The engagement director, Ms Jasmine Lee, holds the Certified Internal Audit designation and is a Chartered Member of the Institute of Internal Auditors, USA.</p> <p>The internal audit fieldwork and reporting were carried out with reference to the International Professional Practice Framework for Internal Audit; International Standards for the Professional Practices of Internal Auditing, the IIA Code of Ethics and the COSO Framework for Internal Controls.</p> <p>The internal auditors carried out regular and systematic reviews and provided independent and objective assurance on the adequacy and effectiveness of the internal control of the operational functions audited. The internal auditors adopt a risk-based audit approach, focusing its audit mainly on key processes and principal risk areas of the operational units. The performance of the outsourced internal auditors, including assessment of their independence in performing their obligations, is evaluated and monitored via a formal evaluation form</p>

	<p>based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Securities includes the calibre, reputation and resources of the firm, staff experience and qualification, audit scope, audit methodology, communication and the ability to perform work within the Group's timeline.</p> <p>The Audit Committee is in the opinion that the internal auditors are free from any relationships or conflict of interest, which could impair their objectivity and independence of the internal audit function.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, stakeholders and public at large. Accordingly, the Board has adopted a Corporate Disclosure Policy which applies to all Directors, Officers and employees aiming at effectively handling and disseminating the corporate information timely and accurately to its shareholders, stakeholders and the public in general as required by Bursa Securities.</p> <p>The Company has also adopted the Shareholders' Communication Policy to promote effective communication with shareholders. The shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable them to exercise their rights as shareholders in an informed manner and to allow shareholders and other stakeholders to actively engage with the Company.</p> <p>The Company's corporate website contained a dedicated "Investor Relations" link through which a repository of the Company's financial statements and annual reports with links to Bursa Malaysia filings, market performance / analyst report and notice of annual general meeting / extraordinary general meeting may be accessed. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Company's website.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable.	
		The Company is not a Large Company as defined by Malaysian Code of Corporate Governance 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company despatches the Notice of the Annual General Meeting (“AGM”) to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and ACE Market Listing Requirements of Bursa Securities. At the last AGM, the notice was dated 28 July 2017 whilst the AGM was held on 29 August 2017.</p> <p>The additional times given to shareholders allow them to make arrangements to attend and participate in person or through their proxy/ies or corporate representative/s or attorney/s, where necessary. This enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>Five out of six Directors attended the last AGM due to the fact that such director required to attend to personal matters which could not be rescheduled. Amongst the Directors present were the Chairman of the Board and Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.</p> <p>Management and external auditors were also in attendance to provide response to shareholders' questions on pertinent and relevant matters.</p> <p>At the AGM, the Chairman, at the commencement of meeting explained to shareholders their rights to be heard and to exercise their voting rights as well as that voting of all resolutions shall be by poll. During the meeting, the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, should they need any clarification, before putting a resolution to vote.</p> <p>Barring any unforeseen circumstances, all Directors as well as the Chairman of respective Board Committees will present at the forthcoming AGM of the Company to enable the shareholders to raise questions and concerns.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company has a relatively small base of shareholders. The Company had its last Annual General Meeting at the building next to the Company's place of business at Lot 5, Jalan P10/12, Kawasan Perusahaan Bangi, 43650 Bandar Baru Bangi, Selangor. The venue was already familiar to the shareholders of the Company since the AGMs have been held at the same venue over many years.</p> <p>The Proxy Form enclosed in the Annual Report is to allow remote shareholders or shareholders in absentia to appoint Proxy/ies or Chairman of Meeting to vote on their behalf at the general meetings. The shareholders may also send any questions or queries to the Company before the AGM. As such, the Company has yet to facilitate voting in absentia and remote participation by shareholders at general meetings.</p> <p>The Company will consider all factors, including cost, appropriate framework and processes, as well as communication to shareholders, for using any technology or device that enables shareholders to participate and to exercise their rights to speak and vote at the general meetings in future.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**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.*

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