

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5021
COMPANY NAME : AYS Ventures Berhad
FINANCIAL YEAR : March 31, 2020

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board members exercise due diligence and care in discharging their duties and responsibilities to ensure that high ethical standards are applied, through compliance with the relevant rules and regulations, directives and guidelines in addition to adopting the Practices in the Code and act in the best interest of the Group and shareholders. The Board has adopted a Board Charter on 22 May 2018 that clearly identifies the respective roles and responsibilities of the board, board committees, individual directors and management; and issues and decisions reserved for the Board. The Board Charter is available on the Company's website at www.ays-group.com</p> <p>The Board's most important functions are as follows:</p> <ul style="list-style-type: none">• ensuring that the Group's goals are clearly established, and strategies are in place to achieve them;• establishing policies for strengthening the performance of the Group including ensuring that Management is proactively seeking to build business through innovation, initiative, technology and the development of its business capital;• monitoring the performance of Management;• appointing the Group Managing Director ("GMD") and setting the terms of his employment contract;• deciding on steps which are deemed necessary to protect the Group's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken; |

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| | <ul style="list-style-type: none"> • ensuring that the Company’s financial statements are true and fair and conform with law; • ensuring that the Group adheres to high standards of ethics and corporate behaviour; and • ensuring that the Group has appropriate risk management or regulatory compliances policies in place. <p>The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to Management’s responsibilities, which the Executive Directors are aware and are responsible for meeting. The decision making of the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group is reserved to the Board and formally set out in the Board Charter.</p> <p>The principal risk of all aspects of the business that the Group is engaged in is recognised by the Board. As business decisions require the incurrence of risk, the Board has in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group. This is to achieve a proper balance between risks incurred and potential returns to shareholders.</p> <p>In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.</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 1.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is headed by an Independent Non-Executive Chairman with a wealth of experience garnered from both the public and private sector. The roles of the Independent Non-Executive Chairman is defined and set out in the Board Charter.</p> <p>The Board Chairman presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. The duties of the Board Chairman include inter-alia the following:</p> <ul style="list-style-type: none"> (a) Managing Board meetings to ensure robust decision-making including managing Boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed; (b) Building a high performance Board by providing leadership for the Board so that the Board can perform its responsibilities effectively; (c) Managing Board/Management interface by acting as the conduit between Management and the Board and developing a positive relationship with the Group Managing Director (GMD), acting as a confidant and advisor; and (d) Being the public face by acting as a spokesperson for the Board; and representing the Company at shareholders' meetings. |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The roles of the Chairman of the Board and Group Managing Director are segregated. Tuan Haji Mohd. Sharif Bin Haji Yusof is the Independent Chairman and he is primarily responsible for the proper conduct and working of the Board. For financial year ended 31 March 2020, Mr Oh Chiew Ho the Group Managing Director is responsible for the day-to-day running of the business and implementation of Board policies and decisions. The positions of the Chairman and the Chief Executive Office/Group Managing Director are separately held ensuring balance of power, accountability and division of roles and responsibilities of the Board and the Management of the Group's business and operations. The Board has developed descriptions for responsibilities of the Board Chairman and Group Managing Director. The details of these responsibilities are set out in the Board Charter. |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Board is supported by an External Company Secretary who is a Fellow Member of the Malaysian Institute of Chartered Secretaries & Administrators and has more than 35 years of experience in the corporate secretarial field. The Company Secretary provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislation. All Directors have access to the advice and services of the Company Secretary and to obtain independent professional advice, whenever necessary, at the expense of the Company. The Company Secretary also serves in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors and Principal Officers of the Company on the closed periods for trading in the Company's share accordance to Chapter 14 on Dealings in Listed Securities of the Listing Requirements. |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | An agenda together with the relevant papers covering quantitative and qualitative information are distributed to all Directors a week before the scheduled meetings. The Board members were provided with comprehensive explanation of pertinent issues and recommendations by the Management and issues would then be deliberated and discussed thoroughly by the Board prior to decision-making. The Board members were also updated on the Group's activities and its operations on a regular basis. All Directors have access to all information of the Company on a timely basis whether as a full Board or in their individual capacity in an appropriate form and quality necessary to enable them to discharge their 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

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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Board has adopted a Board Charter on 22 May 2018 that clearly identifies the respective roles and responsibilities of the board, board committees, individual directors and management; and issues and decisions reserved for the Board. The Board Charter is available on the Company's website at www.ays-group.com | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company adopted its Code of Business Conduct in 2013. The Code sets out certain fundamental commitments that the Company make to its various stakeholders including the managing conflicts of interest, prevention of abuse of powers and insider trading.</p> <p>On 22 May 2018, the company reviewed and revised the Code of Business Conduct to include privacy of information as well as prevention measures on corruption and money laundering.</p> <p>The Code of Business Conduct is available on the Company's website at www.ays-group.com</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has on 22 May 2018 adopted the Whistleblowing Policy to directly support the Company's core values, code of ethics and governance requirement. The Company places high value on the level of trust and integrity expected of its employees within its Group of Companies ('Group'). It is an avenue to encourage and enable employees and others to raise legitimate concerns to be objectively investigated and addressed within the Company prior to seeking resolution outside the Company.</p> <p>The Policy that outlines the Group's commitment to ensure that employees and other stakeholders are able to raise genuine concerns in relation to breach of a legal obligation, miscarriage of justice, danger to health, safety and environment at the earliest opportunity without being subject to victimization, harassment or discriminatory treatment, and to have such concerns properly investigated. The Policy sets out the mechanism and framework by which employees, contractors, consultants and any other individuals or organization who have dealings with the Company can confidently voice concerns / complaints in a responsible manner without fear of discriminatory treatment.</p> <p>The Whistleblowing Policy is available on the Company's website at www.ays-group.com. No whistleblowing report was received in financial year 2020.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| 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.

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| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | In financial year 2020, the Board comprised of four (4) Independent Non-Executive Directors, four (4) Executive Directors and one (1) Non-Independent Non-Executive Director. The Board's composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least one-third of the Board to comprise of independent directors. | |
| | : | The Board takes cognisance of the Code's Practice to have at least half of the Board to comprise of Independent Directors. With the recent resignation of an Executive Director on 10 April 2020, the Independent Directors form 50% of the Board. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

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.

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| Application | : | Not applicable - No independent director(s) serving beyond 9 years | |
| Explanation on application of the practice | : | In financial year 2020, none of the Independent Directors have served beyond 9 years. Tuan Haji Mohd. Sharif Bin Haji Yusof, Ms Seow Nyoke Yoong and En Mohamad Fazlin Bin Mohamad will reach the nine (9) years term limit on 16 November 2020 and the Board intends to retain them as Independent Directors. The Company will apply the Practice 4.2 and at the forthcoming Annual General Meeting on 25 August 2020, the Company will be tabling the proposal to retain the Independent Directors | |
| 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.

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| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The principal function of making recommendations for new appointments or re-election of retiring Directors is delegated to the Nomination Committee.</p> <p>The Nomination Committee is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors. All the assessments and evaluations carried out during the year was properly documented and minuted by the Company Secretary.</p> <p>The evaluation of suitable candidate is not only based on academic but also through experience in this industry to ensure that valuable contribution which will be beneficial to the Company can be given to encourage growth of the Company.</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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | The Company does not have a formal policy on diversity of gender, ethnicity and age as the Board views that its current composition already encompasses this. |
| | | In the Board Charter, the Board takes into account the various diversity factors including ethnicity, gender and age distribution of the Directors to maintain a balanced Board composition. In this respect, the Board aims to maintain at least two (2) women directors on the Board. The appointment of Ms Seow Nyoke Yoong and Ms Oh Pooi Foon as Directors reflects that the Board recognises the value of a lady member on the Board. Women directors form 22% of the Board members in financial year 2020. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | Choose an item. |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Selection of candidates for appointment of new Directors may be recommended by Directors, Management and Shareholders. The Board is also open and may seek external independent sources to identify suitably qualified candidates.</p> <p>The Nomination Committee propose new nominees for appointment to the Board. In making the recommendations, the Nomination Committee shall consider the candidates skills, knowledge, expertise and experience.</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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Chairman of the Nomination Committee is chaired by Ms Seow Nyoke Yoong, an Independent Non-Executive Director.</p> <p>The terms of reference of the Nomination Committee which is available on the Company's website also sets out that the Chairman of the Nomination Committee is to be a Non-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

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>During the financial year ended 31 March 2020, the Board through its Nomination Committee conducted an annual review of the Board's size, composition and balance and concluded that the Board's dynamics are healthy and effective. The present members of the Board possess the appropriate skills, experience and qualities to steer the Group forward. The Nomination Committee was also satisfied that the existing structure, size, composition, current mix of skills, competence, knowledge, experience and qualities of the existing Board members were appropriate to enable the Board to carry out its responsibilities effectively.</p> <p>Annually the Directors conduct a self-evaluation and the Nomination Committee assess the performance of the various committees. In the self-evaluation, each of the Directors have responded that they strongly view themselves to fit in well with the other board members and are able to add to the Board's strength, abilities, experience and judgement. They also rated themselves high in the ability of preparedness for the meetings and discussion matters and insists upon and sources all information necessary for consideration of a particular issue or decision.</p> <p>In the assessment of the performance of the Audit Committee, the Nomination Committee checks if the Audit Committee has reviewed the Internal Control policies, procedures & process and reporting of business risk, ensured internal audit function is in place, assessed the communication with external auditors and the scope of audit plan and reviewed related party transactions and any conflict of interest.</p> <p>The Board had assessed the Nomination Committee if the latter has ensured that there is an effective procedure for identifying, nominating and appointing caliber new board members, evaluated if the education programme is in place and reviewed feedbacks from individual Directors.</p> <p>The performance of the Remuneration Committee was assessed by the Nomination Committee to ensure that the Remuneration</p> |

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| | <p>Committee has considered the financial performance of the Company before making recommendation of any increase of remuneration and ensure fees payable to Non-Executive Directors reflect experience, contribution and level of responsibility and the Executive Directors and Senior Management, by linking their rewards to corporate and individual performance.</p> <p>The Board will continue to monitor and review the Board size and composition and will nominate new members as and when the need arises.</p> | |
| <p>Explanation for departure</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>Measure</p> | | |
| <p>Timeframe</p> | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is conscious of the importance of a good corporate governance system to run the structure and operation of its corporate bodies in the best interest of the Company and its shareholders. The Board has in place policies and procedures to determine the remuneration of Directors and senior management.</p> <p>The remuneration policy for members of the Board reflects the interests of the Shareholders and the Company, taking into consideration the assignments and the responsibility undertaken by such members. The remuneration policy promotes performance and aims at attracting and retaining talented Directors while safeguarding the Company's interest through long term target.</p> <p>The Policy is meant for internal consumption and shall be circulated to the authorised groups and related personnel to implement the policy only. It is the prerogative of the Board, when necessary, to revise, update, amend, alter or discontinue the practice of the policy.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Remuneration Committee shall ensure that the levels of remuneration are sufficient to attract and retain Directors of the quality required to manage the business of the Group.</p> <p>The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors and Senior Management, by linking their rewards to corporate and individual performance. The Director concerned will abstain from deliberations and voting on decisions in respect of his remuneration package. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned and is determined by the Board as a whole.</p> <p>The terms of reference of the Remuneration Committee is disclosed on the Company's website.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| 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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board as a whole shall determine the Non-Executive Directors' fees with the individual concerned abstaining from deliberations and voting on discussions in respect of his fee. The level of Directors' fee shall reflect the experience and responsibilities undertaken by the particular Non-Executive Director.</p> <p>The breakdown of the remuneration of the Directors in the Group and Company during the financial year ended 31 March 2020 is set out on page 23 & 24 in the Annual Report 2020.</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.

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| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Company has identified 6 senior management personnel as its key senior management (their names and respective profile as stated on page 10 of the Annual Report) and their remuneration is determined by the performance management system adopted by the Group which reflects market value and based on individual performance, job responsibilities and the Group's performance against financial objectives.</p> <p>The Board is of the view that such disclosure will give rise to recruitment and talent retention issues and would be adverse implication including dissatisfaction and animosity among the staff.</p> <p>The aggregate remunerations of key management personnels for the financial year ended 31 March 2020 are set out in note 31 of the audited financial statement.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | 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.

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| 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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the Board and Audit Committee is held by different individual. The Board is led by Independent Non-Executive Chairman, Tuan Haji Mohd. Sharif Bin Haji Yusof and Encik Mohamad Fazlin Bin Mohamad is the Chairman of the Audit Committee. | |
| Explanation for departure | : | | |
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| <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.

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| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The Company has since its listing not appointed any former key audit partner onto its Board.</p> <p>The Company is guided by the External Auditors Appointment and Independence 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.</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 Company has a policy to assess and monitor the performances and independence of External Auditors. The policy covers selection and appointment, provision of non-audit services, External Auditors' rotation, and hiring of staff from External Audit's firm.</p> <p>The Audit Committee carried out an assessment of the performance and suitability of Grant Thornton Malaysia PLT, the External Auditors based on the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit.</p> <p>The Audit Committee is generally satisfied with the independence, performance and suitability of Grant Thornton Malaysia PLT based on the assessment and is recommending to the Board and shareholders for approval for the re-appointment of Grant Thornton Malaysia PLT as External Auditors for the financial year ended 31 March 2021.</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 Audit Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors. The current members of the Audit Committee are as follow:-</p> <p>Chairman -Encik Mohamad Fazlin Bin Mohamad</p> <p>Members -Ms Seow Nyoke Yoong -Tuan Haji Mohd Sharif Bin Haji Yusof -Dato' Wan Hasim Bin Wan Jusoh</p> |

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 | : | <p>The Audit Committee members possess a wide range of skills to discharge their duties and their profiles are set out in the Annual Report. One of the Audit Committee Member, namely Tuan Haji Mohd Sharif Bin Haji Yusof is a fellow member of the Institute of Chartered Accountants, England & Wales, Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants.</p> <p>All the Audit Committee attend trainings to continuously keep themselves updated on development on financial standards, practices and new rules.</p> <p>As part of the application of Practice 8.5 of the Malaysian Code on Corporate Governance where 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, the External Auditors presented an overview on the key changes and adoption of amendments to the Malaysian Financial Reporting Standards.</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 9.1

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board is committed to maintain a sound system of risk management and internal control in the Group. The Board acknowledges its overall responsible for the adequacy, integrity and effectiveness of the Group’s risk management and internal control system. (the “system”)</p> <p>The Board ensures that the system manages the Group’s key areas of risk within an acceptable risk profile to increase the likelihood that the Group’s and business objectives will be achieved. The Board regularly reviews the internal control system to ensure it provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.</p> <p>The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control as and when there are changes to the business environment or regulatory guidelines.</p> <p>Further details are set out in the Statement of Risk Management and Internal Controls in the Annual Report 2020.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| 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 | : | <p>The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulatory guidelines. Management assists the Board in the implementation of the Board’s policies and procedures on risk management and internal control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.</p> <p>The Board is aware that a risk management framework and sound system of internal control should be embedded in the operations of the Group and form part of its culture. This system should be capable of responding quickly to evolving risks to the business arising from factors within the Group and changes in the business environment. It should include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being taken.</p> <p>Further details are set out in the Statement of Risk Management and Internal Controls in the Annual Report 2020.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| 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 : | Not Adopted |
| Explanation on adoption of the practice : | |

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 | : | <p>The Group's internal audit function is undertaken on a co-sourcing basis. The Company's in-house Internal Auditor works together with UHY Advisory (KL) Sdn. Bhd. to perform the independent risk-based internal audit review on the key operational areas of the Group.</p> <p>The internal audit function is responsible to conduct consistent and systematic review on the adequacy and integrity of internal control systems to provide reasonable but not absolute assurance to ensure risks are appropriately identified and mitigated. The Internal Audit Plan for the year 2019/2020 was tabled and approved. The four main areas identified for reviewed and reported encompasses Anti-Bribery and Anti-Corruption, Talent Management, Succession Planning and Business Continuity function, Operations review on AYS Metal Products & Engineering Sdn. Bhd., and Credit Control Function (reported in Audit Committee meeting on 29 June 2020).</p> <p>Periodic internal audit reports and status on follow up actions were tabled to the Audit Committee and Board during its quarterly meeting. Criteria to be addressed in the report include risk identification and mitigation, corrective action plans and implementation of the plans by the 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

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 Internal Audit Function of the Company is carried out on a co-sourcing basis. The Company's in-house Internal Auditor works together with outsourced Internal Auditors, UHY Advisory (KL) Sdn Bhd ("UHY") to perform the independent risk-based internal audit review on the key operational areas of the Group. Details of the internal audit function are set out in the Statement of Risk Management and Internal Control and Audit Committee Report.</p> <p>The Internal Auditors report directly to the Audit Committee. The Internal Auditors attend and report at Audit Committee meeting on reviews conducted quarterly a year.</p> <p>UHY provided a total of four (4) personnel for the Internal Audit function. All the personnel were free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of their work.</p> <p>The in-house Internal Auditor, Mr. Chua Boon Ping, is a Chartered Member of The Institute of Internal Auditors Malaysia, Member of the Malaysian Institute of Accountants, and Fellow Member of the Association of Chartered Certified Accountants.</p> <p>The internal audit function in UHY is led by Mr. Kong Feck Keat, who is a Member of the Malaysian Institute of Accountants and Fellow Member of the Association of Chartered Certified Accountants with 19 years' professional experience.</p> <p>All internal audit work carried out is guided by the International Professional Practices Framework promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors.</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 Board is committed to uphold high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.</p> <p>The Company's Annual General Meeting ("AGM") serves as a principal forum for dialogue with shareholders. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Extraordinary General Meetings are held as and when required. As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended by the Code.</p> <p>This includes the Chairman highlighting to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and a review of the performance of the Group during the AGMs.</p> <p>To ensure effective participation of and engagement with shareholders at the AGM in 2019, all Directors (save for Mr Tay Kim Chuan who was overseas), including members of AC, NC and RC, attended and participated in the AGM.</p> <p>The Board ensures that the shareholders and other stakeholders are well informed of the Group's strategy performance and major developments of the Company and the information is communicated to them through the following:</p> <ul style="list-style-type: none">(i) the Annual Report;(ii) the various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly results and annual results;(iii) the website at www.ays-group.com which shareholders as well as members of the public are invited to access for the latest information on the Group; and(iv) the meetings with fund managers and analysts and interviews |

| | | |
|--|---------------|--|
| | by the press. | |
| 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 | : | Not applicable as the Company is presently not classified as a Large company. | |
| | | Please provide an alternative practice and explain how the alternative practice meets the intended outcome. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | 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.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | During the financial year ended 31 March 2020, the Notice of AGM was issued on 24 June 2019 and the AGM was held on 23 July 2019, with notice period of more than 28 days. |
| 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 | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | All of the Directors, save for Mr Tay Kim Chuan who was overseas, were present in person at the last AGM held on 23 July 2019. The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee were present at the AGM but no questions were posed to them. | |
| | | | |
| <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 | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Board views that the cost involved in having additional meeting venues for shareholders to participate through electronic means would not benefit the Company as an operating entity.</p> <p>Shareholders have the opportunity to participate at General Meetings through their proxies. They may also raise question by posting them to the officer in-charge for investor relation matters available at the Company’s website.</p> <p>The Board will not consider the additional meeting venue unless the cost of such participation becomes affordable to the Company.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | |

**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.

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