

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7100  
**COMPANY NAME** : Uchi Technologies Berhad  
**FINANCIAL YEAR** : December 31, 2017

## 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>	: The Board's responsibilities are stipulated in the Board Charter as such: "5.1.1 Board's Responsibilities The Board explicitly assumes the specific duties and responsibilities as follows: 1. Strategic Planning <ul style="list-style-type: none"><li>○ The Board shall review and adopt a strategic plan for the Company. In discharging this responsibility, the Board shall review the plan in light of Management's assessment of emerging trends, the competitive environment, the opportunities and risks of the business and business practices in the industry.</li><li>○ The Board shall review and if, advisable, approve the Company's annual business and capital plans as well as policies and processes generated by Management relating to the authorization of major investments and significant allocation of capital.</li></ul> 2. Risk Management <ul style="list-style-type: none"><li>○ The Board shall periodically review reports provided by Management of principal risks associated with the Company's business and operations, review the implementation by Management of appropriate systems to manage these risks and review reports by Management relating to the operation of, and any material deficiencies in, these systems.</li><li>○ The Board shall verify that internal, financial, non-financial and</li></ul>

business control and management information systems have been established by Management

### 3. Human Resource Management

- The Board shall review a report of the Remuneration Committee concerning the Company's approach to executive compensation.
- The Board shall develop and review periodically the succession plans of the Company for the Chair, the Executive Board, including the appointment, training and monitoring of such persons.
- The Board shall, to the extent feasible, satisfy itself as to the integrity of the Executive Board of the Company and the Executive Board strives to create a culture of integrity throughout the Company.

### 4. Corporate Governance

- The Board shall periodically review reports of the Nomination Committee concerning the Company's approach to corporate governance.
- The Board shall periodically review reports of the Nomination Committee that evaluate the director independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.
- The Board has adopted a written Code of Conduct and Ethics applicable to directors, officers and employees of the Company. The Board shall periodically review reports of the Audit Committee relating to compliance with, or material deficiencies from, the Code and approve changes it considers appropriate. The Board shall review reports from the Audit Committee concerning investigations and any resolutions of complaints received under the Code.
- The Board shall review and assess the adequacy of its Charter from time to time, as required, to ensure compliance with any rules and regulations promulgated by any regulatory body and approve any modifications to this Charter as considered advisable.

### 5. Communications

- The Board has adopted a Disclosure Policy for the Company. The Board, in conjunction with Executive Board, shall periodically review the Company's overall Disclosure Policy, including measures for receiving feedback from the Company's

	<p>stakeholders, and Management’s compliance with such policy. The Board shall, if advisable, approve material changes to the Company’s Disclosure Policy.</p> <ul style="list-style-type: none"> <li>○ The Company endeavors to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. In addition, the Company shall maintain on its website a contact email address that will permit shareholders to provide feedback directly to the Chair of the Board.”</li> </ul>	
<p><b>Explanation for departure</b></p>	<p>: Not applicable</p>	<p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</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>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>	
<p><b>Timeframe</b></p>	<p>: Choose an item.</p>	

**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>The Chairman's responsibility in instilling good corporate governance practices, leadership and effectiveness of the Board was emphasized in the Chairman's role as stipulated in the Appendix to the Board Charter as such:</p> <p>"The Chairman is responsible for:</p> <ul style="list-style-type: none"> <li>a. Leading the Board in its duties to the Company</li> <li>b. Ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and its individual directors;</li> <li>c. Facilitating effective review, analysis and discussion at Board meetings;</li> <li>d. Ensuring effective communication with shareholders and stakeholders." <p>For the year under review, the Nomination Committee reported that all Directors have discharged their duties and responsibilities in an adequate and proper manner.</p> </li></ul>
<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 1.3**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Para 5.2.3 of the Board of Directors' Charter stated that:</p> <p>"The position of Chairman and Managing Director should be held by different individuals and the Chair of the Board shall be an independent and non-executive director."</p> <p>For the year ended December 31, 2017, the Board was chaired by Mr. Charlie Ong Chye Lee, a Senior Independent Non-Executive Director while Mr. Kao, De-Tsan also known as Ted Kao was the Managing Director of the Company.</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 1.4**

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>Para 6.2 of the Board Charter stated that:</p> <p>“The appointment and removal of the Company Secretary is subject to the approval of the Board. The Board recognizes the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required of the post.”</p> <p>For the current financial year, the Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant management for necessary action.</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 1.5

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>Board Charter of the Company stipulated as such:</p> <p>“6.4 Agenda Items for Board or Committee Meetings</p> <p>6.4.1 The Chairman will establish the agenda for each Board or Committee meeting. Each Director is free to suggest the inclusion of items on the agenda and is free to bring up, at any Board meeting, subjects that are not on the agenda for that meeting. The Company Secretary shall be responsible to draw up a detailed agenda and to the extent feasible, supporting documents and proposed resolutions, and circulate it at least one week in advance before each meeting to the Board or Committee members. Directors should review these materials in advance of the meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board or Committee meetings should advise the Chairman well in advance of such meeting.</p> <p>6.5 Board Resolutions and Minutes</p> <p>6.5.1 The Company Secretary shall minute the proceedings and resolutions of all Board and its Committee meetings.</p> <p>6.5.2 Minutes will be tabled for circulation for endorsement at the subsequent meeting by the Company Secretary and approved by the Chairman of the Board of Directors and the members present at the meeting.</p> <p>6.5.3 A Director who objects to any resolution adopted by the Board shall have his objection recorded in the minutes.</p> <p>6.5.4 All resolutions by circulation should be tabled at the subsequent Board meeting for ratification.”</p> <p>The Board met four times in this financial year. A formal time schedule was pre-determined in advance. The Agenda and Board papers for each meeting were circulated at least one week in advance before each meeting to the Board members to enable the Directors to review the</p>



	<p>papers in preparation for the meeting and to obtain further explanations, where necessary, in order to be briefed properly before the meeting. In addition to the Group performance discussed at the meeting, the Board also discussed, reviewed and decided the financial decision and annual plans, changes to Board or management and control structure of the Group, including strategies, key policies, procedures and authority limits. The Board and its committees were supplied with all necessary information to enable them to discharge their responsibilities efficiently and effectively.</p> <p>All decisions of the Board were duly recorded in the Board's minutes and circulated. All Directors fulfilled the requirement of Bursa Malaysia Securities Berhad (Bursa Securities) in relation to their attendance at the Board meetings.</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**

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>Board Charter was established and made available on the Company website, outlining a framework designed to:</p> <ul style="list-style-type: none"> <li>• enable the Board to provide strategic guidance for the Company and effective oversight of the management; and</li> <li>• clarify the respective roles and responsibilities of Board, Board committees, individual directors and the management in order to facilitate the Board and the management accountability to both the Company and its shareholders; and</li> <li>• ensure a balance of authority so that no single individual has unfettered powers; and</li> <li>• identify issues and decisions reserved for the Board.</li> </ul> <p>The Board reviewed and assessed the adequacy of Board Charter in February 2017 and resolved that the Board Charter is in compliance with relevant rules and regulations promulgated by the regulatory body.</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>UCHITEC is committed to the highest standards of ethical business conduct. The Directors and employees continue to adhere to the Code of Ethics of UCHITEC codified in the Employees' Handbook. The Code of Ethics is also available on the group website. The principles on which this Code rely are those that concern transparency, integrity, accountability and civic social responsibility.</p> <p>This Code is formulated to enhance the standard of corporate governance and behaviour with a view to achieve the following objectives:</p> <ul style="list-style-type: none"><li>• to establish standard of ethical conduct for Directors and employees based on acceptable belief and values that one upholds; and</li><li>• to uphold the spirit of social responsibility and accountability of the Group in line with the legislations, regulations and guidelines governing it.</li></ul> <p>The code of conduct &amp; ethics for the Directors is published on the Company's website.</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>	:	UCHITEC has introduced Whistle Blowing Policy to provide an avenue for all employees and stakeholders, to raise their concern about illegal or immoral conduct or behaviour in the Group to the Administrator without fear of reprisal. Informants are assured that their identity is kept confidential and their concern will be acted upon. Mr. Charlie Ong Chye Lee, the Independent Non-Executive Director of UCHITEC is appointed for the administration, revision, interpretation and application of this policy.	
<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>	:	For the year ended December 31, 2017, the Board consists of 3 Independent Non-Executive Directors and 2 Executive Director.  The Board Charter was revamped in March 2018 to adopt the corporate practice 4.1 with regards to composition of the Board.	
<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>Dr. Heinrich Komesker's and Mr. Charlie Ong Chye Lee's tenure on the Board reached a cumulative term of nine (9) years on December 31, 2015 and June 30, 2017 respectively. Dr. Heinrich Komesker has indicated his intention not to seek for re-appointment and will resign from the Board upon conclusion of the Twentieth Annual General Meeting.</p> <p>The Nomination Committee, with Mr. Charlie Ong Chye Lee abstaining from the deliberation of their own assessment respectively, has assessed his independence and is satisfied that his length of service on the Board does not in any way interfere with his fiduciary duties in exercising due care in the best interest of the Company and minority shareholders.</p> <p>After considering the Nomination Committee's justification and recommendation, the Board intends to seek its shareholders' approval at this forthcoming Annual General Meeting to retain Mr. Charlie Ong Chye Lee as an Independent Non-Executive Director of the Company.</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>It is stipulated in Para 5.2.2 of the Board charter that:</p> <p>“The Board adopts the Company’s Corporate Human Resource Policy to provide a diversity and equality work environment throughout the Company that is free of discrimination of any form whether based on an individual’s gender, race, ethnicity, age and religion. As such, the evaluation of the suitability of Board composition shall purely be based on the candidates’ competency, skills, character, time, commitment, knowledge, experience and other qualities in meeting the needs of the Company.”</p> <p>The Corporate Human Resource Policy is not applied only to Directors but throughout the Company.</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**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has set its target to achieve at least 20% of women directors and key senior management for 2017 &amp; 2018. During the year, there was 29% women representation on the board and key senior management.</p> <p>The Board through the Nomination Committee will consider the gender diversity as part of its future selection and will look into to maintain or increase female board and key senior management representation in year 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 4.6**

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>During the year, there was no recruitment of new directors.</p> <p>Although it is not well specified in the Nomination Committee Charter, it is the Nomination Committee to draw referrals from external sources available, such as industry and professional associations, independent search firms, if necessary, apart from receive suggestions from existing Board members, Management and major shareholders.</p> <p>In searching for suitable candidates for new Director in 2016, 2 out of the 4 candidates are referrals from professional association.</p> <p>The Nomination &amp; Remuneration Committee Charter 2018 was adopted in February 2018 in which Practice 4.6 has been incorporated.</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>During the year, the Nomination Committee was chaired by Mr. Charlie Ong Chye Lee, Senior Independent Non-Executive Director and comprised exclusively of Independent Non-Executive Directors, namely:</p> <p>Chairman : Charlie Ong Chye Lee Senior Independent Non-Executive Director</p> <p>Members : Dr. Heinrich Komesker Independent Non-Executive Director</p> <p>Tan Boon Hoe Independent Non-Executive Director</p> <p>Nomination &amp; Remuneration Charter was adopted in February 2018 to include Practice 4.7 with regards to composition of Nomination &amp; Remuneration Committee.</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

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>Summary of activities of the Nomination Committee in 2017 are as follows:</p> <ul style="list-style-type: none"><li>• reviewed the required mix of skills of experience and other qualities, including core competencies, which Non-Executive Directors brought to the Board;</li><li>• reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Articles of Association;</li><li>• reviewed and recommend to the Board for re-appointment of Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years and to seek shareholders' approval at the forthcoming AGM;</li><li>• assessed the independence of each of the existing Independent Directors with each director abstaining from deliberation on his own assessment;</li><li>• assessed the Company's compliance with applicable laws and regulations relating to corporate governance and recommended to the Board;</li><li>• Assessed the contribution of each individual Director in terms of skills, experience and other qualities, attendance in all Board meetings, Board Committee meetings and annual meeting of shareholders, willingness to rigorously prepare prior to each meeting, level of participation in the meeting, willingness to make himself/herself available to management upon required to provide advice and counsel, willing to develop a broad knowledge of both critical issues affecting the Company (including industry, technology and market specific information), ability to exercise independent judgment at all times, demonstration of high professionalism and integrity in decision-making process;</li></ul>

	<ul style="list-style-type: none"> <li>• Reviewed and assessed the annual performance of the Board Committee and the effectiveness of the Board as a whole;</li> <li>• Reviewed and reassessed the adequacy of the Board Charter including the evaluation criteria of recruitment and assessment of Directors.</li> </ul> <p>For the year under review, the Nomination Committee reported that the Board is adequately represented by a wide range of expertise from diverse backgrounds with core competencies in corporate, business acumen and analytical, legal and financial, engineering and production and the composition of the Board has a balance mix of executive, non-executive and independent members. The Nomination Committee also expressed that the Board Committees and individual Directors were able to discharge their duties and responsibilities in an adequate and proper manner.</p> <p>The Board is satisfied with the existing board structure, effectiveness and the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.</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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	For the year 2017, the Company did not have a formalised remuneration policies and pocedures for Directors and Senior Management.	
		The Board has formalised such policies and procedures in February 2018 to reflect the Company's commitment to attract and retain Directors and Key Senior Management.	
<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 established by a resolution of the Board on November 27, 2001. In compliance to MCCG2017, Mr. Kao, Te-Pei also known as Edward Kao, the Executive Director resigned from the Remuneration Committee on November 23, 2017. Currently, the Committee comprised solely of Independent Non-Executive Directors, namely:</p> <p>Chairman : Charlie Ong Chye Lee Senior Independent Non-Executive Director</p> <p>Members : Tan Boon Hoe Independent Non-Executive Director</p> <p>Dr. Heinrich Komesker (appointed on November 23, 2017) Independent Non-Executive Director</p> <p>Lim Tian How (appointed on April 2, 2018) Independent Non-Executive Director</p> <p>A primary purpose of the Committee is to ensure that the remuneration package of members of the Board and Board Committee are internally equitable, externally competitive, motivates the Board towards the achievement of business objectives and align their focus on the long-term business of the Company.</p> <p>For the year ended December 31, 2017, the Remuneration Committee reviewed and recommended to the Board the Remuneration Committee Charter and the remuneration package and other benefits extended to all Directors. Remuneration packages of Directors was decided by the Board as a whole with the Director concerned</p>

	<p>abstaining in deliberation and voting on decisions in respect of his / her individual remuneration.</p> <p>Nomination &amp; Remuneration Committee Charter has been adopted to implement the Company's remuneration policies and procedures relating to remuneration of Directors and Key Senior Management with effect from April 1, 2018</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 remuneration of individual directors on named basis is disclosed on page 38 and 39 of the Annual Report 2017.	
<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**

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 of all Key Senior Management was disclosed in aggregate basis in band width of RM50,000 due to confidentiality and sensitivity of each remuneration package.</p> <p>The disclosure of the remuneration of Key Senior Management in aggregate basis in band width of RM50,000 is adequate for stakeholders to assess the appreciable link between remuneration of Key Senior Management and the performance of the Group as a whole.</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>	:	Mr. Tan Boon Hoe, was elected Chairman of the Audit Committee on September 1, 2016 while the Chairman of the Board was Mr. Charlie Ong Chye Lee.  Audit Committee Charter was revamped in March 2018 to incorporate Practice 8.1.	
<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>	:	Mr. Tan Boon Hoe has retired as an audit partner in Deloitte Malaysia for more than two (2) years before he was elected as Audit Committee Chairman of UCHITEC on September 1, 2016.  Audit Committee Charter was revamped in March 2018 to incorporate Practice 8.2.	
<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 adopted the Auditors' Independence Policy which stipulated that external auditors must remain independent of the Company both in fact as well as in appearance. Generally, external auditors' independence is impaired when the external auditors provide services which:</p> <ul style="list-style-type: none"> <li>• Create a mutual or conflicting interest between the external auditors and the Company;</li> <li>• Result in the external auditors functioning in the role of management;</li> <li>• Place the external auditors in the position of auditing its own work;</li> <li>• Place the external auditors in the position of being an advocate for the Company</li> </ul> <p>Taking into account the auditors' statement on independence and the Audit Committee's own enquiries, the Audit Committee is satisfied with the suitability and independence of Deloitte PLT as external auditors and recommended to the Board the re-appointment of Deloitte PLT as auditors of the Company.</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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	For the year 2017, the Audit Committee comprised solely of Independent Directors, namely: Chairman            Mr. Tan Boon Hoe (Independent Non-Executive Director)  Member                Mr. Charlie Ong Chye Lee (Senior Independent Non-Executive Director)  Dr. Heinrich Komesker (Independent Non-Executive Director)

**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>Deriving from the annual performance evaluation carried out by the Nomination Committee, the Board is satisfied that the Audit Committee is adequately represented by a wide range of expertise from diverse backgrounds with core competencies in corporate, business acumen and analytical, legal and financial, engineering and production and were able to discharge their duties and responsibilities in an adequate and proper manner.</p> <p>In 2017, Audit Committee members attended conferences / seminars on areas relating to corporate governance, latest development on MFRS and national budget 2017.</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 establishing a sound system of internal control to safeguard shareholders’ investment and Group’s assets, and to provide reasonable assurances on the reliability of the financial statements. In addition, equal priority is given to financial controls, operational and compliance controls as well as risk management. While the internal control system is devised to cater for particular needs of the Group and the risk, such controls by their nature can only provide reasonable assurance but not absolute assurance against unintended material misstatement or loss.</p> <p>The Group has in place an on-going process and sound framework for identifying, evaluating, monitoring and managing the significant risks affecting the Group. The Board reviews the adequacy and integrity of the Group’s system of internal controls on a continuous basis.</p> <p>Audit Committee Report and Statement on Risk Management &amp; Internal Control incorporating report on risk management review, internal audit function and conclusion of the review are set out from page 42 to 46 of the Annual Report 2017.</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 9.2**

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>	:	Refer Statement on Risk Management & Internal Control in Annual Report 2017.	
<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 9.3 - 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>	:	Refer Audit Committee Report in Annual Report 2017.	
<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>	:	Refer Audit Committee Report and Statement on Risk Management and Internal Control in Annual Report 2017.
<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 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>	:	Para 5.1.1.5 of the Board Charter stated that it is the Board responsibilities to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. In addition, the Company shall maintain on its website a contact email address that will permit shareholders to provide feedback directly to the Chair of the Board.	
<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 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>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board values dialogue with investors and recognizes the importance of accountability to its shareholders through proper and equal dissemination of information to its shareholders. The Executive Director has regular dialogue sessions with institutional investors, fund managers and analysts to explain the Group's strategy, performance and major developments.</p> <p>The annual report, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.</p> <p>The Company maintains a corporate website at <a href="http://www.uchi.net">www.uchi.net</a> which provides all relevant information about UCHITEC and is accessible by the public. This corporate website enhances the investor relation function by including share price information, all announcement made via Bursa LINK, annual reports as well as the corporate governance structure of the Company.</p> <p>Mr. Charlie Ong Chye Lee was appointed as Senior Independent Non-Executive Director on September 1, 2012. Through whom, stakeholders may convey their concerns pertaining to the Group via <a href="mailto:charles.ong6288@gmail.com">charles.ong6288@gmail.com</a>.</p> <p><b>Corporate Disclosure Policy</b></p> <p>The Company adopted Corporate Disclosure Policy to ensure informative, timely and accurate disclosure of material information concerning the Company to the public. UCHITEC recognizes that individual investors deserve the same access to material information as institutional shareholders and analysts, and is committed to providing fair and equal access to such information through broadly disseminated disclosure.</p> <p>This Corporate Disclosure Policy deals with how UCHITEC and its employees handle material non-public information. It applies to all directors, officers and employees of UCHITEC and its operating</p>

	subsidiaries (collectively, the “Employees”) and insiders (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad).  This disclosure policy does not apply to communications in the ordinary course of business not involving material information.	
<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 12.1**

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>	:	Notice of for Annual General Meeting was issued on April 24, 2018 to shareholders to attend the AGM to be held on May 23, 2018.	
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors, the management and external auditors were in attendance to respond to shareholders' questions during the Nineteenth Annual General Meeting held on May 23, 2017. The Board presented the progress and performance of the Group and encourages shareholders to participate in the "Questions and Answers" session. The Board also shared with the shareholders the Company responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.	
<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 12.3**

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 19<sup>th</sup> AGM was held at Evergreen Laurel Hotel, Georgetown Penang which is accessible by public transport.</p> <p>Each item of special business in the notice of meeting was accompanied by a full explanation of the effects of a proposed resolution.. Separate resolutions are proposed for substantially separate issues at the meeting and shareholders are encouraged to participate in the “Questions and Answers” session.</p> <p>Shareholders of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf.</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>	:	

**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.*

--