

Corporate Governance Statement

The Board is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries (“the Group”) in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders’ value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance (“MCCG”) to enhance business prosperity and maximise shareholders’ value. The Board will continuously evaluate the Group’s corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 August 2016 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

A. DIRECTORS

1. Board Balance

The Board assumes responsibility for effective stewardship and control of the Group and its members have established terms of reference to assist in the discharge of their responsibilities.

The Board consists of seven (7) members, comprising an Independent Non-Executive Chairman, a Managing Director and Deputy Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Company is in compliance with Rule 15.02 of the Listing Requirements whereby at least two (2) or one third (1/3) of its Board members are independent directors. The profile of each Director is presented separately in pages 5 to 8 of the Annual Report 2016.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct.

On 26 July 2016, the Board has appointed Mr Chan Wan Choon as the Senior Independent Non-Executive Director of the Company to share the concerns of Directors to the Managing Director on sensitive issues of the Company and perform as the alternative contact person for shareholder communication.

2. Board Responsibilities

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 management are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes 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.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks with a view to the long term viability of the Group.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

2. Board Responsibilities (cont'd)

The principal roles and responsibility assumed by the Board are as follows:

- Review and adopt strategic plan of the Group

The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercises which support the Group's business plan and budget plan.

- Implementation of internal compliance controls and justifies measures to address principal risks

The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board is responsible for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To formulate and have in place an appropriate succession plan

The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

- Developing and implementing an investor relations program or shareholder communications policy for the Group

The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company website is the primary medium in providing information to all shareholders and stakeholders.

The Company has a clear distinction and separation of roles between the Chairman and the Managing Director, with clear division of responsibilities. The Chairman is primarily responsible in leading and guiding the Board, and also serves as the communication point between the Board and the Managing Director whilst the Managing Director and his management team is responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) 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 laid out in the terms of reference and to report to the Board with the necessary recommendation.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

3. Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur.

The main thrust of the Code of Conduct and Ethics for Directors are in the following areas:

- (a) Corporate Governance;
- (b) Relationship with shareholders, employees, customers and creditors; and
- (c) Social Responsibilities and the Environment

The Code of Conduct and Ethics for directors was adopted in 26 July 2016 and will be reviewed from time to time when there are significant developments requiring the Code of Conduct and Ethics for Directors to be amended. A copy of the Code of Conduct and Ethics is available at the Company's website at www.schgroup.com.my.

4. Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operations and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter addresses, among others, the following matters:

- (a) General outline of the Board's purpose;
- (b) An overview of the Board's roles and responsibilities;
- (c) Structure and membership;
- (d) A position description of the role of the Chairman, the Executive Directors as well as the Independent Directors;
- (e) Board process;
- (f) Directors remuneration;
- (g) Appointment of Board Committees; and
- (h) Relationship with shareholders.

A copy of the Board Charter is available at the Company's website at www.schgroup.com.my.

5. Directorship in Other Public Listed Companies / Time Commitments

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies (as prescribed in Rule 15.06 of Listing Requirements).

Board Meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan their schedule ahead.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

6. Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhance investor's perception and public trust. Disclosures on corporate responsibility are presented under "Corporate Sustainability Statement" of this Annual Report.

7. Workplace Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of the boardroom and workforce gender diversity policy. However, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluates the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future. Currently, our Board does not comprise of any female director.

8. Whistle Blowing Policy

The Company has implemented a Whistle-Blowing Policy. The policy is a specific mean by which an employee can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Company's policies and regulatory requirements in a responsible and sensible manner.

The objectives of the policy are:

- (a) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
- (b) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- (c) To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

A copy of the Whistle-Blowing Policy is available at the Company's website at www.schgroup.com.my.

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention : Mr Sim Yee Fuan
 Designation : Audit Committee Chairman
 Email : samsim929@gmail.com

9. Supply of information

Unless otherwise agreed, the Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board at least seven (7) days before the date of the meeting. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

9. Supply of information (cont'd)

To fulfil the responsibilities as set out above, all Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated. The Directors may consult the Chairman or other Board members prior to seeking any independent professional advice.

10. Board Meetings

There were five (5) Board of Directors' meetings held during the financial year ended 31 August 2016. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

| Name of Directors | No. of meetings Attended |
|-------------------|--------------------------|
| Chan Wan Choon | 5/5 |
| Lau Mong Ling | 5/5 |
| Wong Sin Chin | 5/5 |
| Yeen Yoon Hin | 5/5 |
| Sim Yee Fuan | 4/5 |
| Gan Khong Aik | 5/5 |
| Rahimi Bin Ramli | 4/5 |

The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman.

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the annual general meeting. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

11. Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing Requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

12. Directors' Training

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. The Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

Details of seminars and training programmes attended by the Board members during the financial year are listed below:

| Name of Director | Seminar & Training Programmes |
|------------------|--|
| Chan Wan Choon | ➤ Board Chairman Series Part 2: Leadership Excellence From The Chair |
| Lau Mong Ling | ➤ Board Chairman Series Part 2: Leadership Excellence From The Chair |
| Sim Yee Fuan | ➤ Global Market Outlook By UOB ➤ Budget Seminar By SH Yeoh Taxation |
| Gan Khong Aik | ➤ Complying with Corruption and Bribery Regulations – Strategies for Multinational Employers ➤ A Game of Thrones : Interaction between Manufacturer and Distribution Channels ➤ National Employment Conference |
| Rahimi Bin Ramli | ➤ 7 Habits Of Highly Effective people |

Saved as disclosed above, Mr Wong Sin Chin and Mr Yeen Yoon Hin were not able to attend any seminars and / or training programmes during the financial year due to overseas travelling and their busy work schedule. However, they have kept themselves abreast on financial and business matters through readings to enable them to contribute to the Board. They are also aware of their duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the Listing Requirements on continuing education.

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition to the above, Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committee and/or Board meetings.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

13. Nomination Committee

As recommended by MCCG, the Company has established the Nomination Committee ("NC") comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

The present members of the NC are:

Chairman

Gan Khong Aik - Independent Non-Executive Director

Members

Chan Wan Choon - Independent Non-Executive Chairman/Senior Independent Non-Executive Director

Sim Yee Fuan - Independent Non-Executive Director

The functions of the NC are summarise as following:

- (a) to undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (b) to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;
- (c) to give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- (d) to identify and make recommendation to the Board on new candidates for election/appointment to the Board or to fill board vacancies as and when they arise;
- (e) to ensure that orientation and education programmes are provided for new members of the Board;
- (f) to recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Articles of Association; and
- (g) to undertake an annual review of the training programmes attended by the Directors for each financial year as well as the training programmes required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends.

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

Corporate Governance Statement

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A. DIRECTORS *(cont'd)*

13. Nomination Committee *(cont'd)*

In assessing suitability of candidates,

- (a) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of:
 - the Business, the Markets and the Industry in which the Group operates; and
 - the accounting, finance and legal matters.
- (b) where a need has been identified, the NC shall entask the Company's Chairman or Managing Director:
 - to search/recommend for potential candidates from within the Company; or
 - engage its Human Resources Department to advertise (whether locally or internationally); or
 - appoint recruitment advisers; or
 - draw references and recommendations from the fellow directors of the Company.
- (c) the Company's Chairman or Managing Director:
 - shall shortlist potential candidates taking into account, amongst other things, the particular skills, experience and contribution to diversity of each individual candidate and their fit with the existing Board; whereby women candidates would be encouraged to join; and
 - recommend to the NC the candidate who best matches the needs of the Board.

The NC will assess, review and deliberate and thereafter, present their recommendations to the Board for consideration and approval.

Factors considered by the NC when recommending a person for appointment as a director include:

- (a) the merits and time commitment required for a Director to effectively discharge his or her duties to the Company;
- (b) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
- (c) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committee and individual Directors, based on a self assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considered and approved the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of individual directors are in a set of questionnaires. Each of the Directors will perform a self assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

The NC is satisfied with the current size of the Board, and with the mix of qualifications, skills and experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

The NC shall meet at least once a year unless otherwise determine by the NC. The quorum for a meeting shall be at least two (2) members, majority of members present must be Independent Non-Executive Directors.

Corporate Governance Statement

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A. DIRECTORS (cont'd)

13. Nomination Committee (cont'd)

The summary of activities undertaken by the NC during the financial year included the following:

- (a) Reviewed the Assessment Report on Individual Director for year 2016 and make appropriate recommendation to the Board;
- (b) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association; and
- (c) Reviewed the Terms of Reference of the NC.

14. Re-election of Directors

In accordance with the Company's Articles of Association, at the first Annual General Meeting ("AGM") of the Company, all the Directors shall retire from office, and at the AGM in every subsequent year, an election of directors shall take place and one-third (1/3) of the Directors (including the Managing Director) for the time being, or if their number is not three (3), or a multiple of three (3), then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors including a Managing Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.

Any Director appointed during the year is required to retire and seek re-election by shareholders at the first AGM following his appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with the Section 129 (6) of the Companies Act, 1965.

15. Reinforce Independence

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. All the Non-Executive Directors of the Company are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the Independent Directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

There is a clear separation of powers between the Chairman, who is an Independent Director, and the Managing Director, and this further enhances the independence of the Board. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter.

As at 31 August 2016, the tenure of the Independent Non-Executive Directors of the Company are as follows:

| Name | < 1 Year | 1-3 Years | 4-6 Years |
|------------------|----------|-----------|-----------|
| Chan Wan Choon | | | √ |
| Sim Yee Fuan | | | √ |
| Gan Khong Aik | | | √ |
| Rahimi Bin Ramli | | √ | |

As at the end of the financial year, none of the Independent Non-Executive Directors have been with the Company for more than nine (9) years.

Corporate Governance Statement

Cont'd

A. DIRECTORS (cont'd)

15. Reinforce Independence (cont'd)

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deemed it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an Independent Director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject the said Director to be redesignated as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company.

B. DIRECTORS' REMUNERATION

1. Procedures

The remunerations of the Executive Directors were determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the Remuneration Committee is to ensure that the Company attracts and retains caliber Directors needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

2. Details of Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorised into appropriate components for the financial year ended 31 August 2016 were as follows:

i) Company

| | Fee RM | Salaries and * other emoluments RM | Total RM |
|-------------------------|----------------|---|----------------|
| Executive Directors | - | 7,500 | 7,500 |
| Non-Executive Directors | 132,000 | 9,500 | 141,500 |
| Total | 132,000 | 17,000 | 149,000 |

Corporate Governance Statement

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B. DIRECTORS' REMUNERATION (cont'd)

2. Details of Directors' Remuneration (cont'd)

ii) Group

| | Fee RM | Salaries and * other emoluments RM | Total RM |
|-------------------------|----------------|---|------------------|
| Executive Directors | - | 1,573,660 | 1,573,660 |
| Non-Executive Directors | 132,000 | 9,500 | 141,500 |
| Total | 132,000 | 1,583,160 | 1,715,160 |

* Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.

The number of Directors whose remuneration falls into the following bands is as follows:

| Range of Remuneration | Number of Directors | | | |
|-----------------------|------------------------|--------------------------------|------------------------|--------------------------------|
| | Company | | Group | |
| | Executive Directors | Non- Executive Directors | Executive Directors | Non- Executive Directors |
| Below RM50,000 | 3 | 4 | | 4 |
| RM400,001 – RM450,000 | | | 2 | |
| RM650,001 – RM700,000 | | | 1 | |

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosures by band and analysis between Executive and Non-Executive Directors satisfy the accountability and transparency aspects of MCCG.

3. Remuneration Committee

In line with the best practices of MCCG, the Board has set up a Remuneration Committee ("RC") which comprises majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The RC meets when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Director. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

However, the ultimate responsibility to approve the remuneration of the Directors remains with the Board as a whole. The respective Director is not involved in any discussions and/or deliberations with regards to their own remuneration.

The present members of the RC are as follow:

Chairman

Lau Mong Ling - Managing Director and Deputy Chairman

Members

Chan Wan Choon - Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Sim Yee Fuan - Independent Non-Executive Director

Corporate Governance Statement

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B. DIRECTORS' REMUNERATION *(cont'd)*

3. Remuneration Committee *(cont'd)*

The functions of the RC are summarised as following:

- (a) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;
- (b) to review and determine the annual salary increment, performance bonus, and short term/long term incentives (including share grant and bonus) for Executive Directors and Principal Officers depending on various performance measurements of the Group;
- (c) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;
- (d) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;
- (e) to review and recommend the remuneration for Non-Executive Directors taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director and any additional responsibilities undertaken by the particular Non-Executive Directors concerned; and
- (f) to recommend the engagement of external professional advisors to assist and/or advise the Committee and the Board, on remuneration matters, where necessary.

The summary of activities undertaken by the RC during the financial year included the following:

- (a) Reviewed and recommended the performance bonus for Executive Directors and Principal Officers;
- (b) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors for the financial year ended 31 August 2016; and
- (c) Reviewed the Terms of Reference of the RC.

C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

1. Corporate Disclosure Policies

The Board recognises the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate and contains sufficient and relevant information.

In order to maintain its commitment of effective communication with shareholders, the Group embraced the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCGG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing Requirements.

The Group also endeavours to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Corporate Governance Statement

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C. COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS (cont'd)

1. Corporate Disclosure Policies (cont'd)

Besides the above, the Company's Annual Report and financial results are dispatched on annually basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholders' interests. The Company strived to provide a high level of transparency reporting in order to provide value for its shareholders and investors.

2. Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.schgroup.com.my has incorporated an Investor section which provides all relevant information on the Company. This section enhances the investor relations function by including all announcements made by the Company and its annual reports. Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at <http://announcements.bursamalaysia.com>.

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to schsb99@hotmail.com.

3. Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings provides an opportunities to communicate with shareholders.

The Chairman or the Managing Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

4. Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The shareholders will be given sufficient notice of the holding of the AGM through the Annual Report that is sent to them. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff and the shareholders and investors are always active before and after the General Meetings.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

In line with Rule 8.31A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

Corporate Governance Statement

Cont'd

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The Audit Committee assists the Board to ensure accuracy and adequacy of all annual and quarterly financial reports, audited and unaudited for disclosure. The statement by the Board pursuant to Rule 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out in page 31, Section E of this Annual Report.

2. Risk Management and Internal Controls

The Board affirms the importance of sound internal control and risk management practices to safeguard shareholders' investments, customers' interest and the Group's assets. In order to improve internal controls within the Group, the Board has appointed an established independent professional firm to carry out the internal audit function for the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of Internal Auditors adopted an on-going monitoring and review of the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures to be taken to mitigate, avoid or eliminate these risks.

The information on the Group's risk management and internal control is further elaborated in pages 34 to 36 on the Statement on Risk Management and Internal Control of this Annual Report.

3. Relationship with Auditors

The Board has appropriately established a formal and transparent relationship with the Group's External Auditors. From time to time, the External Auditors will highlight to the Audit Committee and the Board on matters that require the Audit Committee's and Board's attention and action. The role of the Audit Committee in relation to the External Auditors can be found in the Audit Committee Report as set out in pages 32 to 33 of this Annual Report. Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors.

In compliance with the Malaysian Institute of Accountants, the audit firm rotates its audit partners every five (5) years to ensure objectivity, independence and integrity of the audit opinions.

Corporate Governance Statement

Cont'd

D. ACCOUNTABILITY AND AUDIT *(cont'd)*

3. Relationship with Auditors *(cont'd)*

The External Auditors have provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 August 2016. The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review.

E. STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 August 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act, 1965, the Malaysian Financial Reporting Standards and the Listing Requirements. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

F. COMPLIANCE STATEMENT

Save as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of MCCG and all other applicable laws, where applicable.