

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of SCH Group Berhad strives to ensure that high standard of corporate governance practices are implemented and maintained throughout the Company and its subsidiaries 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 2017 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES

Clear Functions Reserved for Board and Delegation to Management

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for overseeing and managing the Group which includes assessing the Group’s corporate objectives, and ensuring that the goals and targets are met by management. The Board has a formal schedule of matters reserved to itself for the decision, which includes the overall Group strategy and direction, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Executive Directors of the Company, is responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Managing Director brief the Board on business performance and operations as well as the management initiatives during Board’s quarterly meetings. The Independent Non-Executive Directors are committed in upholding business integrity and exercising their independence between the executive and non-executive functions to ensure effectiveness of the decision making process of the Board.

Clear Roles and Responsibilities

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group’s affairs. Hence, to develop corporate objectives and job descriptions including the limits of management’s responsibilities, which the management is aware and are responsible for meeting.

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.

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 exercise which support the Group’s business plan and budget plan.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES (cont'd)

Clear Roles and Responsibilities (cont'd)

- Oversee of the Group's Business

The day-to-day management of the business operations of the Group is led by the Executive Directors and a team of Senior Management personnels. Their performance under the lead of the Executive Directors is assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.

- Review of Internal Control and Integrity of Management Information

The Board is overall responsible for maintaining a proper internal control system. The Board's responsibilities for the Group's system of internal controls include reviewing 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 the Directors and senior management of the Group, as well as assessing the performance of Directors and Committee members.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group

The Board recognises that shareholder and other stakeholder 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 Board will normally hold meetings at least four (4) times in each financial year to consider:

- i) relevant operational reports from the management;
- ii) reports on the financial performance;
- iii) specific proposals for capital expenditure and acquisitions, if any;
- iv) major issues and opportunities for the Company, if any; and
- v) quarterly financial statements for the announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

- i) to approve annual financial statements and other reports to shareholders;
- ii) consider and, if appropriate, declare or recommend the payment of dividends;
- iii) review the Board composition, structure and succession plan of the Board;
- iv) review the Company's audit requirements;
- v) review the performance of and composition of Board committees;
- vi) undertake Board and individual Board member evaluations;
- vii) review Board's remuneration; and
- viii) review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a check and balance on the Board's deliberations.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES (cont'd)

Clear Roles and Responsibilities (cont'd)

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Managing Director holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Managing Director, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

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 considered 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) Board Committees namely Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as laid out in the terms of reference and report to the Board with the necessary recommendation.

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:

- i) General outline of the Board's purpose;
- ii) An overview of the Board's roles and responsibilities;
- iii) Structure and membership;
- iv) A description of the role of the Chairman, the Executive Directors as well as the Independent Directors;
- v) Board process;
- vi) Directors' remuneration;
- vii) Appointment of Board Committees; and
- viii) Relationship with shareholders.

The Board Charter is reviewed periodically to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available on the Company's website at www.schgroup.com.my.

Code of Conduct and Ethics

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

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

- i) Corporate Governance;
- ii) Relationship with shareholders, employees, customers and creditors; and
- iii) Social Responsibilities and the Environment

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES (cont'd)

Code of Conduct and Ethics (cont'd)

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.

Whistle-Blowing Policy

The Board is committed to achieve and maintain the highest standard of work ethics in the conduct of business in line with the Code of Conduct and ethics and good corporate governance practices. The Group encourages its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group. This policy is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided for under this policy and to provide protection for employees and members of the public who report such allegations.

The policy is designed to give support to the following:

- i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
- ii) 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
- iii) 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

Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of the business which underpins sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhance investor perception and public trust.

The Group is committed in its continuous efforts in maintaining a delicate balance between its sustainability agenda and other stakeholders' interest. The details of the sustainability efforts are set out in the "Corporate Sustainability Statement" of this Annual Report.

Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers will be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advices or further explanation from management and Company Secretaries. 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 by the Company Secretaries.

The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied on 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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PRINCIPLE 1: ESTABLISH CLEAR GOALS AND RESPONSIBILITIES (cont'd)

Access to Information and Advice (cont'd)

In addition, all Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory 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. The senior management team from different business units will also be 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. The Chairman of the Board Committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

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, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

The Board acknowledges that confidential information received remains the property of the Group, whether it relates to the Group or another entity. It will not be disclosed unless either the Chairman of the Board has so authorised in writing or disclosure is required by law.

Qualified and Competent Company Secretaries

The Board is supported by qualified, competent and experienced Company Secretaries who facilitates overall compliance with the Listing Requirements as well as informs and keeps the Board updated of the latest enhancements in corporate governance, changes in the regulatory framework, new statutory requirements and best practices. 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.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Nomination Committee

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

The Terms of Reference of the NC can be viewed at the Company's website at www.schgroup.com.my.

The present members of the NC of the Company are:

Designation	Name	Directorship
Chairman	Gan Khong Aik	Independent Non-Executive Director
Member	Chan Wan Choon	Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Member	Sim Yee Fuan	Independent Non-Executive Director

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 members present must be Independent Non-Executive Directors.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 2: STRENGTHEN COMPOSITION *(cont'd)*

Nomination Committee *(cont'd)*

The functions of the NC are summarised as follows:

- i) 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;
- ii) 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;
- iii) to consider 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;
- iv) responsible for identifying and make the recommendation to the Board on new candidates for election/ appointment to the Board or to fill board vacancies as and when they arise;
- v) to ensure that orientation and education programmes are provided for new members of the Board;
- vi) to recommend to the Board concerning the re-election / re-appointment of Director to the Board pursuant to the provisions in the Company's Article of Association;
- vii) 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; and
- viii) to provide a report summarising its activities for the year in compliance with the MCCG, Listing Requirements and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included in as a separate report.

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

- i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- ii) 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
- iii) Reviewed the qualification of Directors to be appointed and made recommendation to the Board for appointment of Directors.

Board Composition

The current Board of Directors consists of eight (8) members, comprising an Independent Non-Executive Chairman, a Managing Director, two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The Company thus complies with Rule 15.02 of the Listing Requirements whereby at least two (2) or one-third (1/3) of the Board of Directors, whichever is higher, are independent directors. The profile of each Director is presented separately on pages 4 to 7 of this Annual Report.

The current Board consists of individuals of high calibre, experienced and are professionals in their respective fields. Together, this brings a wide range of industry specific knowledge, broad based business and commercial experience that are vital to the Board's success.

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 Board on sensitive issues of the Company, leads the Board as Chairman and act as the alternative contact person for shareholder communication.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

Appointment of the Board

The proposed appointment of a new member to the Board will be deliberated on by the full Board based upon the recommendation of the NC. Before any recommendation made to the Board, the NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

- a) Skills, knowledge, expertise and experience;
- b) Professionalism;
- c) Integrity;
- d) Existing number of directorships held;
- e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
- f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from independent non-executive directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of "independent directors" prescribed by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.

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 the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

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, the appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In general, the process for the appointment of a director to the Board is as follows:

- i) The NC reviews the Board's composition through Board assessment/evaluation;
- ii) The NC determines skills matrix;
- iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- iv) The NC recommends to the Board for appointment; and
- v) The Board approves the appointment of the candidates.

During the financial year, the Board has appointed four (4) new members, namely Mr Khoo Chee Siang (Executive Director), Mr Wong Kin Seng (Executive Director), Mr Koh Chen Foong (Non-Independent Non-Executive Director), and Mr Liew Fook Meng (Non-Independent Non-Executive Director).

Criteria for Board Assessment

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self assessment approach on an annual basis. From the results of the assessment, including the mix of skills, experience, tenure and other core qualities possessed by Directors, the Board will consider and approve 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.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 2: STRENGTHEN COMPOSITION *(cont'd)*

Criteria for Board Assessment *(cont'd)*

The criteria used by the NC in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self assessment on an annual basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2017, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting the target for female candidates in the Group. The Group basically evaluate the suitability of candidates as a 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.

Currently, our Board does not comprise of any female director. The Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any newly proposed appointment of directors of the Company in the future.

Re-Election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Articles of Association ("the Articles"). Pursuant to the Articles, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Articles also provide at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Upon the recommendation of the NC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in year 2018 are as stated in the Notice of Annual General Meeting.

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 Terms of Reference of the RC can be viewed at the Company's website at www.schgroup.com.my.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

Remuneration Committee (cont'd)

The present members of the RC are as follow:

Designation	Name	Directorship
Chairman	Lau Mong Ling	Managing Director and Deputy Chairman
Member	Chan Wan Choon	Independent Non-Executive Chairman/Senior Independent Non-Executive Director
Member	Sim Yee Fuan	Independent Non-Executive Director

The functions of the RC are summarised as following:

- i) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;
- ii) 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;
- iii) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;
- iv) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;
- v) 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
- vi) 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 :

- i) Reviewed and recommended the performance bonus for Executive Directors and Principal Officers; and
- ii) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

Directors' Remuneration

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 RC is to ensure that the Company attracts and retains the appropriate Directors of the calibre 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 and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

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 2017 were as follows:

i) Aggregate Directors' Remuneration

Director	Company			Group		
	Fees (RM)	Salaries & Other Emoluments (RM)	Allowances (RM)	Fees (RM)	Salaries & Other Emoluments (RM)	Allowances (RM)
Executive Directors	-	-	7,000	-	1,362,586	7,000
Non-Executive Directors	134,500	-	9,000	134,500	-	9,000
Total	134,500	-	16,000	134,500	1,362,586	16,000

ii) Analysis of Directors' Remuneration

Total remuneration of Directors in respect of the financial year ended 31 August 2017, in bands of RM50,000 is tabulated below:

Range of Remuneration	Number of Directors			
	Company		Group	
	Executive Directors	Non- Executive Directors	Executive Directors	Non- Executive Directors
Below RM50,000	5	6	-	6
RM100,001 – RM150,000	-	-	1	-
RM200,001 – RM250,000	-	-	1	-
RM250,001 – RM300,000	-	-	2	-
RM400,001 – RM450,000	-	-	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 disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCCG.

PRINCIPLE 3 : REINFORCE INDEPENDENCE

Annual Assessment of Independence

Annual assessments will be conducted by NC on annual basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 August 2017, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 3 : REINFORCE INDEPENDENCE (cont'd)

Tenure of Independent Directors

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 necessarily impair independence and judgement of an Independent Director and therefore the Board does not deem 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 a cumulative term of nine (9) years. Upon completion of a nine (9) years term, an independent director may continue to serve on the Board subject to the director's re-designation 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.

As at 31 August 2017, the tenure of the Independent Non-Executive Directors of the Company are as follows:

	< 1 Year	1-3 Years	4-7 Years	8-9 Years
Chan Wan Choon			√	
Sim Yee Fuan			√	
Gan Khong Aik			√	

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

Separation of Positions of the Chairman and Managing Director

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and the Managing Director are held by different individuals, and that the Chairman is a non-executive member of the Board.

The roles of the Chairman and the Managing Director are clearly defined and segregated, to ensure an appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is 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.

Independent Chairman

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the Chairman of the Board is not an independent director.

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and one-third (1/3) of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. The Board therefore is of the view that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

CORPORATE GOVERNANCE STATEMENT

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PRINCIPLE 4: FOSTER COMMITMENT

Time Commitment and Directorship in Other Public Listed Companies

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 the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments 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 fulfill 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 the Listing Requirements.

Each Board member is expected to achieve at least 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 Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. 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 in the section below.

Record of Attendance at Board Meetings

The following is the record of attendance of each of the Directors of the Company at the Board meetings held during the financial year:-

Name of Directors	No. of Meeting Attended
Chan Wan Choon	5/5
Lau Mong Ling	5/5
Khoo Chee Siang ^[1]	2/2
Wong Kin Seng ^[2]	1/1
Koh Chen Foong ^[3]	1/1
Liew Fook Meng ^[4]	1/1
Sim Yee Fuan	5/5
Gan Khong Aik	3/5
Wong Sin Chin ^[5]	3/3
Yeen Yoon Hin ^[6]	3/3
Rahimi bin Ramli ^[7]	1/2

Note

^[1] Mr Khoo Chee Siang was appointed as director of the Company on 2 March 2017.

^[2] Mr Wong Kin Seng was appointed as director of the Company on 9 May 2017.

^[3] Mr Koh Chen Foong was appointed as director of the Company on 9 May 2017.

^[4] Mr Liew Fook Meng was appointed as director of the Company on 9 May 2017.

^[5] Mr Wong Sin Chin was resigned as director of the Company on 31 March 2017.

^[6] Mr Yeen Yoon Hin was resigned as director of the Company on 31 March 2017.

^[7] Encik Rahimi bin Ramli was retired as director of the Company on 23 January 2017.

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 August 2017.

CORPORATE GOVERNANCE STATEMENT

Cont'd

PRINCIPLE 4: FOSTER COMMITMENT (cont'd)

Record of Attendance at Board Meetings (cont'd)

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 will be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

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.

Continuing Education Programs

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, 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.

The Board has undertaken an assessment of the training needs of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Chan Wan Choon	<ul style="list-style-type: none">Workshop on Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit CommitteesAn Overview of the Companies Act 2016 – Key Changes and its Impacts
Lau Mong Ling	<ul style="list-style-type: none">An Overview of the Companies Act 2016 – Key Changes and its Impacts
Khoo Chee Siang	<ul style="list-style-type: none">Workshop on Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committees2017 Budget and its Impact on Capital MarketsAdvocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
Wong Kin Seng	<ul style="list-style-type: none">An Overview of the Companies Act 2016 – Key Changes and its Impacts
Koh Chen Foong	<ul style="list-style-type: none">FX & Economic Outlook Briefing
Liew Fook Meng	<ul style="list-style-type: none">SIAL Interfood 2016
Sim Yee Fuan	<ul style="list-style-type: none">Property Outlook & Trends UpdateCEO Forum
Gan Khong Aik	<ul style="list-style-type: none">IBA Annual ConferenceChina Academy of Arbitration Law Forum

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 Board Meetings.

CORPORATE GOVERNANCE STATEMENT

Cont'd

PRINCIPLE 5: UPHOLD INTEGRITY OF FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 August 2017 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

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 on page 33 of this Annual Report.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors will highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

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.

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

- i) the adequacy of the experience and resources of the External Auditors;
- ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to respond and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

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 them. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 August 2017.

CORPORATE GOVERNANCE STATEMENT

Cont'd

PRINCIPLE 5: UPHOLD INTEGRITY OF FINANCIAL REPORTING (cont'd)

Assessment of Suitability and Independence of External Auditors (cont'd)

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs ECOVIS AHL PLT as the External Auditors of the Company for the financial year ending 31 August 2018.

PRINCIPLE 6: RECOGNISE AND MANAGE RISK

Risk Management and Internal Control

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of 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 to 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 taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further elaborated in pages 36 and 37 on the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies and Procedures

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 to effective communication with shareholders, the Group embraces 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 MCCG 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

Cont'd

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE *(cont'd)*

Corporate Disclosure Policies and Procedures *(cont'd)*

Besides the above, the Company's Annual Report and financial results are dispatched on an annual 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 strives to provide a high level of transparency reporting in order to provide value for users.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.schgroup.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the investor relations function by including all the corporate information and profile of the Group business activities, financial information, stock information, annual report, quarterly reports, company announcements, corporate governance including the Board Charter, Code of Conduct and Ethics for Directors and terms of reference of Board Committees.

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@gmail.com.

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 views that the annual and any extraordinary general meetings as ideal 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.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The Annual Report together with the Notice of AGM is sent to registered shareholders at least twenty-one (21) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution. At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern. Members of the Board as well as management are present to answer questions raised at these 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.

Poll Voting

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

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *(cont'd)*

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCGG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- iv) Annual General Meetings.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests. As recommended by the MCGG, the Company has appointed a Senior Independent Non-Executive Director to whom queries and concerns regarding the Group may be conveyed.

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

The Directors are required by the Companies Act 2016 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 2017, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm 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, 2016, the Malaysian Financial Reporting Standards and the Listing Requirements of Bursa Securities. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

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 MCGG and all other applicable laws, where applicable.