

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5163
COMPANY NAME : SEREMBAN ENGINEERING BERHAD
FINANCIAL YEAR : 30 JUNE 2018

OUTLINE:

SECTION A - DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B - DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A - DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is led by an experienced diversified and yet sleek Board which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors collectively bring with their wide and varied technical, financial, corporate, and engineering experience to enable the Board to lead and control the Group effectively.</p> <p>Roles and Responsibilities</p> <p>The Board's function, amongst others, is to guide the Group on its short and long-term goals, providing advice, stewardship and directions on the management and business of the Group.</p> <p>The Board's principal responsibilities include the following:</p> <ul style="list-style-type: none"> • reviewing and adopting a strategic plan for the Group; • overseeing the conduct of the Group's businesses; • identifying principal risks and ensuring the implementation of appropriate internal control systems and risk management policies and procedures to manage these risks; • establishing succession plan, including appointing, training, replacing directors and key senior management; • overseeing the development and implementation of shareholder communication policy of the Group; • reviewing the adequacy and the integrity of the Group's internal control systems, risk management framework and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- ensuring that the Company's financial statements are true and fair and conform with the accounting standards; and
- ensuring that the Company adheres to high standards of ethics and corporate behaviour.

To enable the Board to discharge its role and functions effectively, the Board has established the following committees:

- Audit Committee ("AC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")

The above roles and responsibilities have been formalised in the Board Charter and Terms of Reference which is uploaded onto the Company's website at www.seb.net.my.

Code of Conduct

The Board has formalised a Code of Conduct which reflects the Group's vision and core values of integrity, respect and trust. The core areas concerned include the following:

- compliance with laws
- fair dealing
- confidentiality and protection of company assets
- conflict of interest
- know your customer and proper documentation
- occupational, health, safety and environment

The Code of Conduct governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. This Code of Conduct is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

The Code of Conduct can be viewed on the Group's website.

Whistle-blowing Policy and Procedures

To maintain the highest standards of ethical conduct, the Group has a formal Whistle-blowing Policy and Procedures. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers will not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith.

All concerns raised will be investigated and whistle-blowers can report through telephone or via e-mail to the Chief Executive Officer (“CEO”), Mr. See Boon Chun. If this is considered inappropriate, reports can be made to the AC Chairperson, Ms Chan Foong Ping.

The Whistle-blowing Policy and Procedures can be viewed on the Company’s website.

Sustainability

The responsibility to promote and embed sustainability in the Group lies with the Board and in this respect, it strives to achieve continuing growth and profitability in a safe, caring and sustainable environment.

The Group’s Sustainability Statement is set out on pages 4 to 8 of the Annual Report 2018.

Succession Plan

The Group recognises that effective succession planning is integral to the delivery of its strategic plans. It is essential to ensure a continuous level of quality in key management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

Given the current state of the Group’s business and lifecycle, there is an informal succession plan for key management put in place by the CEO. Going forward and at the relevant and appropriate time, the CEO will look into a structured approach to the said plan with the Board.

Access to Information and Advice

All Directors have unrestricted access to Executive Management and the service and advice of the Company Secretary and the internal and external auditors (via the AC) and they as a whole or individually may also seek independent professional advice if necessary, at the Group’s expense to enable them to discharge their duties and responsibilities.

Non-Executive members of the Board are kept updated on the Group’s activities and operations by the CEO on a regular basis and all Directors have the right of access to all reports on the Group’s activities, both financial and operational.

	The Directors also received updates from time to time on relevant new laws and regulations. Visits by the Non-Executive Directors to the Group's businesses were also arranged for enhancement of their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application :	Applied	
Explanation on application of the practice :	The Chairman, Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner. In fulfilling this role, the Chairman: <ul style="list-style-type: none">• provides leadership to the Board to ensure its effectiveness without limiting the principle of collective responsibility for Board decisions;• ensures that the Directors receive complete, adequate and timely information;• ensures effective communications with shareholders;• facilitates effective contribution by Non-Executive Directors;• sets the agenda for Board meetings, in conjunction with the Chief Executive Officer and ensures that adequate time is available for discussion of all items on the agenda;• promotes high standards of corporate governance; and• promotes a culture of openness and debate during Board meetings.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman is Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak while the Chief Executive Officer ("CEO") is Mr See Boon Chun.</p> <p>The roles of the Chairman and CEO are strictly separated to ensure balance of power and authority and to maintain effective supervision and accountability of the Board and Executive Management.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board has the service and advice of Company Secretary. The current Company Secretary, Ms Pang Kah Man is a member of the Malaysian Institute of Accountants. She has years of corporate secretarial experience and her tasks include, but are not limited to the following:</p> <ul style="list-style-type: none">• manage all Board and Board committees' logistics, attend and record minutes of all Board's and Board committees' meetings and facilitate Board communications;• advise the Board on its key roles and responsibilities;• ensure adherence to Board's and Board committees' policies and procedures;• facilitate the orientation of new Directors and assist in Directors' training and development;• advise the Board on corporate governance disclosures and compliance with company and securities regulations and the Main Market Listing Requirements of Bursa Securities Malaysia Berhad;• ensure timely communication of Board's and Board committees' decisions to Executive Management for action;• manage processes pertaining to general meetings;• monitor corporate governance developments and assist the Board in applying governance practices to meet Board's needs and stakeholders' expectations;• notify the Chairman of any possible violations of regulatory requirements; and• serve as a focal point for stakeholders' communications and engagement on corporate governance issues.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	

Timeframe	:		
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Intended Outcome

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

Practice 1.5

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

Application :	Applied
Explanation on application of the practice :	<p>To facilitate the Directors' time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board prior to the commencement of each financial year, to provide ample time for the Directors to plan their attendance.</p> <p>The notices of meetings and agenda are sent to the Directors electronically at least one week in advance and Board meeting papers are sent to the Directors electronically at least three business days prior to Board meetings. This enables the Directors to prior peruse the matters to be deliberated upon. Hard copies of the Board meeting papers and if necessary, further information are provided at the meeting for deliberation and informed decision making.</p> <p>The Board meeting papers include, among others, the following documents or information:</p> <ul style="list-style-type: none">• reports of meetings of all committees of the Board including matters requiring the Board's deliberation, approval and notation• performance reports of the Group, which include information on financial, strategic business issues and updates• major operational, financial, legal, regulatory and corporate issues• board papers for other matters for discussion or approval <p>All deliberations, discussions and decisions of the Board meetings were minuted and recorded accordingly. All proceedings of Board meetings were signed by either the Chairman, Chairperson of the meeting concerned or the Chairperson of the next meeting pursuant to the Company's Constitution.</p>
Explanation for departure :	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formally adopted a Board Charter that sets out the respective roles and responsibilities of the Board, Board committees and Executive Management and the standard of conduct expected of individual Directors.</p> <p>The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group.</p> <p>More information on the Board Charter can be found on the Company's website.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	In order to enhance the professionalism and integrity of our Directors and employees, a formal Code of Conduct has been put in place. Explanation on the application can be found in Practice 1.1 herein.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	A Whistle-blowing Policy and Procedures has been put in place by the Group to provide an avenue for employees to raise their concerns. Explanation on the application can be found in Practice 1.1 herein.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company currently has five (5) members on the Board, of which two (2) are Independent Directors. This is a departure from Practice 4.1 of the Code which stipulates that at least half of the Board comprises Independent Directors.</p> <p>The Board recognises the importance of independence and objectivity in the decision-making process. Each of the Independent Directors has declared his/her personal independence to the Board based on the criteria as set out in the Main Market Listing Requirements.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board (via the Nomination Committee) shall identify and evaluate suitable candidates for appointment as Independent Director(s) for time to time.
Timeframe	:	No specific timeframe set.

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has implemented a nine-year policy for Independent Directors, whereby it shall not exceed a cumulative term limit of nine years. However, an Independent Director may continue to serve on the Board beyond nine years subject to his or her re-designation as a Non-Independent Director.</p> <p>In the event that said Director is to remain designated as an Independent Director, the Board shall, upon the recommendation by the Nomination Committee justify and obtain shareholders' approval for the Director concerned to be retained as an Independent Director.</p> <p>If the Board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.</p> <p>As of the date of the forthcoming 39th Annual General Meeting ("AGM"), Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak has been in office for more than nine (9) years. The Board shall seek shareholders' approval at the said AGM for him to be retained as Independent Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>In assessing the suitability of any candidate for the directorship, the Board (via the Nomination Committee (“NC”)) will take into consideration the candidate’s reputation, educational background, skills, knowledge, expertise, competence and experience that is in line with the Group’s business operations, age, time commitment, independence and integrity.</p> <p>Hence, the NC is responsible for the appointment of Directors and is delegated the role of screening and conducting an initial selection, which included an external search, before making any recommendation to the Board for approval.</p> <p>As for Executive Management, the Board is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with the appropriate experience and qualifications will be considered during recruitment and promotion.</p> <p>Given the current state of the Group’s business and lifecycle, there is an informal succession plan for Executive Management put in place by the Chief Executive Officer (“CEO”).</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	Going forward and at the relevant and appropriate time, the CEO will look into a structured approach to the informal succession plan for Executive Management with the Board.
Timeframe	:	No specific timeframe set.

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is of the view that, while it is important to promote boardroom diversity in terms of gender, age and ethnicity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.</p> <p>The Board currently has one (1) female only among its five (5) members. The Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold as stipulated in Practice 4.5 for Large Companies'.</p> <p>Nevertheless, the Board supports the initiative to include female representation on the Board to achieve a more gender diversified Board.</p> <p>As for the Group's Diversity Policy, it is disclosed in the Corporate Governance Overview Statement on pages 17 to 22 of the Annual Report 2018.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Board is on the outlook for potential female candidate(s) to be appointed as additional female Director(s) as and when suitable candidate(s) is/are identified.
Timeframe	:	No specific timeframe set.

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>Although it has been the norm for the Board to rely on existing Directors or Executive Management or major shareholders to recommend candidates for appointment of Directors, the Board via the Nomination Committee (“NC”), if appropriate, will also rely on recommendations from business associates, advisers, etc. for potential candidates for appointment to the Board.</p> <p>The NC may also obtain and rely upon independent sources such as a directors’ registry, open advertisement or use of independent search firms in furtherance of their duties at the Company’s expense, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the NC will explain why other source were not used.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	The Nomination Committee ("NC") was established with clearly defined Terms of Reference ("ToR"), comprises three (3) Non-Executive Directors of whom two (2) are Independent Directors and one (1) is Non-Independent Director. The NC is chaired by Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak, who is also the Independent Director. The NC's ToR is available on the Company's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	: Applied
Explanation on application of the practice	<p>The Board (via the Nomination Committee (“NC”)) evaluates the effectiveness of the Board as a whole, all Board committees of and the contribution of each individual Director. This evaluation which is done annually is facilitated by the Company Secretary and conducted using evaluation forms covering the following aspects:</p> <p>(i) <u>Board as a whole</u></p> <ul style="list-style-type: none">• Board composition• Strategy• Board meeting• Corporate/Management reporting• Human capital• Risk Management• Inventor relations <p>(ii) <u>Directors</u></p> <ul style="list-style-type: none">• Integrity and ethics• Contributions/Interaction• Knowledge, judgement and decision making• Understanding of role• Leadership• Board chairman’s role• Character• Experience• Integrity• Competence• Time commitment <p>(iii) <u>Audit Committee</u></p> <ul style="list-style-type: none">• Composition• Decision making• Expertise• Appropriate reporting and recommendations• Quality of communication to the Board• Minutes

	<ul style="list-style-type: none"> • Reporting to the Board <p>Completed evaluation forms and the results of the evaluations are collated into a report and deliberated on by the NC and subsequently by the Board and key issues arising thereon if are identified for further action by the Executive Management.</p> <p>Based on the evaluation carried out for the financial year ended 30 June 2018, the NC has informed the Board that it was satisfied with the effectiveness of the Board and Board committees and the contribution and performance of each individual Director.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board (via the Remuneration Committee ("RC")) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of the Directors. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his or her own remuneration. The RC is guided by their year of experience when making recommendations for the compensation and benefits of Directors.</p> <p>The RC's recommended remuneration for Executive Directors is subject to Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of such Directors. In relation to the fees and allowances for Directors, it will be presented at the annual general meeting for shareholders' approval.</p> <p>The Board has currently yet to formalise the Remuneration Policy and Procedures of Directors and Executive Management.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Board shall formalise the Remuneration Policy and Procedures of Directors and Executive Management as planned.
Timeframe	:	By the financial year ending 30 June 2019.

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	The Remuneration Committee ("RC") was established with clearly defined terms of reference ("ToR"), comprises three (3) Non-Executive Directors of whom two (2) are Independent Directors and one (1) is Non-Independent Director. The RC is chaired by an Independent Non-Executive Director. The RC's ToR is available on the Company's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that such disclosure may not be in the best interest of the Group due to the sensitivity and confidentiality concerns as the remuneration packages of Directors is formulated to be competitive and realistic, and emphasis being place on performance. Hence, the non-disclosure on named basis is a way to attract and retain existing Directors with relevant experience and skills that needed to manage the Group effectively.</p> <p>Remuneration packages of Executive Directors are in relation with the corporate and individual performance while Non-Executive Directors remunerations are in relation with their experience and level of responsibilities undertaken. The determination of remuneration of Executive Directors is determined by the RC whilst the determination of the remuneration package of Non-Executive Directors, including Executive Chairman shall be a matter to be determined by the Board as a whole after taking into consideration the RC's recommendation.</p> <p>In view of the sensitivity and confidentiality of the disclosures on named basis for the remuneration of Executive and Non-Executive Director will not affect and detriment to the interest of its shareholder, the remuneration packages in bands of RM50,000 were disclosed in the Corporate Governance Overview Statement as an alternative.</p> <p>The Company will look into compliance to this requirement in future.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>While the Board is cognisant on the importance of transparency, given the competitive search for talent within the industry, as well as other sensitive considerations, the Board believes that individual disclosure on named basis is not in the best interest of the Company. Further, such disclosure does not prejudice stakeholders' interest.</p> <p>This is also in line with the Group's policy of ensuring the privacy of its non-Board employees as well as the competitiveness of the Group in general. Apart from that, the said disclosure may also attract unnecessary head-hunting activities from competitors which will ultimately jeopardize on the Group's operations.</p> <p>Hence, the Board opined that the disclosure of the compensation of key management personnel in Note 28(c) to the financial statements on page 80 of the Annual Report 2018 is deemed adequate as it complies with Paragraph 17 of Malaysian Financial Reporting Standard 124 "Related Party Disclosures".</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company does not have any alternative plan to meet the intended outcome.
Timeframe	:	No specific timeframe set.

Intended Outcome

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

Practice 7.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairperson of the AC, Ms Chan Foong Ping, is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee (“AC”) has established a policy clearly defined in its terms of reference (“ToR”), a cooling-off period of at least two (2) years before a former key audit partner being appointed as a member of the AC.</p> <p>The AC’s ToR is available at the Company’s website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee ("AC") has policies and procedures to review, assess and monitor the performances, suitability and independence of the external auditors.</p> <p>Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence.</p> <p>This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	: Applied
Explanation on application of the practice	<p>The Chairperson of the Audit Committee ("AC"), Ms Chan Foong Ping, is a member of Malaysian Institute of Accountants since 1998. Ms Chan started off her career as an external auditor in Messrs. Deloitte Malaysia since 1995, and joined several companies thereon holding managerial role. Ms. Chan Foong Ping is currently holding several directorship in public listed company as well as private companies.</p> <p>Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak was previously the Secretary-General of the Ministry of foreign affairs Malaysia. He joined the Malaysian Diplomatic and Administrative Service in 1972 and served in various capacities at the Ministry of Foreign Affairs until 2009. He also served the Malaysian Missions abroad in Moscow, the Hague, Canberra, Washington and Dhaka. Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak is currently holding several directorship in public listed company as well as private companies.</p> <p>Mr Tan Ah Bah @ Tan Ah Ping is the founder of Success Transformer Corporation Berhad ("STC"). Mr Tan Ah Bah @ Tan Ah Ping is currently the Managing Director of STC. or Director of most of the subsidiaries of STC.</p> <p>Collectively, the AC possess a wide range of necessary skills including accounting, corporate governance, finance, human resources management, mergers & acquisitions, strategic planning, taxation and other areas of expertise specifically relevant to the work of AC to discharge their duties.</p> <p>The Board, through the recommendation of the Nomination Committee and with the exception of the Directors who are also AC members is generally satisfied that all the AC members are financially literate and have sufficient understanding of the</p>

	<p>Company's business.</p> <p>All Directors would continue to undergo continuous and relevant training in line with facilitating their professional development so they may discharge their duties with greater effectiveness. The list of training programmes that the Board including those sitting in the AC have attended during the financial year are disclosed in the Corporate Governance Overview Statement on pages 17 to 22 of this Annual Report 2018.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has established a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group’s risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The features of the Group's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 27 to 29 of the Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to an independent assurance provider to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group.</p> <p>The internal auditors' independence is maintained by reporting functionally to the Board through the Audit Committee ("AC") and administratively to Executive Management.</p> <p>Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements.</p> <p>In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to NGL Tricor Governance Sdn Bhd (“NGL-Tricor”) which has 19 personnel with relevant qualifications and/or experience in internal auditing as of 30 June 2018.</p> <p>Based on NGL-Tricor’s written declarations, nothing has come to the AC’s attention to indicate that the internal audit personnel assigned by NGL-Tricor to the Group’s internal audit during the financial year ended 30 June (“FY”) 2018 had any relationships or conflicts of interest with the Group, which could impair their independence and objectivity.</p> <p>NGL-Tricor’s engagement director in charge of the Group’s internal audit is Mr Chang Ming Chew, a Certified Internal Auditor and a member with the Institute of Internal Auditors of Malaysia and the Association of Certified Fraud Examiner. Mr. Chang has more than 17 years of audit experience.</p> <p>During FY2018, the internal audit of the Group was carried out in accordance with a risk-based audit plan (prepared in accordance with International Standards for the Professional Practice of Internal Auditing) approved by Audit Committee.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to ensuring that communications to stakeholders and the investing public in general is timely and factual and are available on an equal basis. The Board is also aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares.</p> <p>The release of announcements and information by the Group to Bursa Malaysia Securities Berhad ("Bursa Securities"), is handled by the General Manager, Finance, the Executive Directors and/or the Company Secretary within the prescribed requirements of the Main Market Listing Requirements.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly via annual reports, circulars or statements to shareholders, quarterly financial statement and annual audited financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the Executive Directors and/or the Board where necessary.</p> <p>The Company's website also provides all relevant information to stakeholders and the investing community. Quarterly financial statements and annual audited financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the Company's website for investors and the public.</p> <p>Any shareholders' queries or concerns relating to the Group may be conveyed to the Chief Executive Officer ("CEO") at the principal place of business as detailed below:</p>

	<p>Lot 1A - 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel: (606) 677 5898 Fax: (606) 677 5162 Email: see.bc@seb.net.my</p> <p>The Audit Committee Chairperson is designated by the Board to be the contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the CEO. She too can be contacted at the above address.</p> <p>The Board is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the Annual General Meeting, the Chief Executive Officer will provide a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Applied
Explanation on application of the practice	:	The Company has reported its Sustainability Statement on page 4 to of the Annual Report 2018 covering the aspects of economic, environment and social responsibility for stakeholders’ reference.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	To further improve the quality of information available to the shareholders and stakeholders and promote greater transparency and accountability on the part of the Company, the Board shall prepare a full sustainability statement and publish in the annual report to be issued for the financial year ending 30 June (“FY”) 2019
Timeframe	:	By FY2019

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company's Notice of the forthcoming 39th Annual General Meeting shall be given to shareholders at least twenty-eight (28) days prior to the meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 39th Annual General Meeting (“AGM”) to address shareholders’ queries at the meeting.</p> <p>The external auditors will also be present at the meeting to answer shareholders’ queries on their audit process and report, the accounting policies adopted by the Group, and their independence.</p> <p>The Board will also share with the shareholders the Company’s responses to questions submitted in advance of the 39th AGM by the Minority Shareholder Watchdog Group, if any.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company will always make sure that its general meeting is to be held at an accessible location but not in remote areas in order to encourage shareholders to attend and participate in the meeting. Having considered that the shareholder base of the Company is not large, the Board is of the view that there is no immediate need for the Company to leverage on technology to facilitate electronic poll voting and remote shareholder participation at this juncture of time.</p> <p>As at the date of this Report, the Company has less than 2,000 shareholders and the forthcoming 39th Annual General Meeting will be held in Bukit Jalil, Kuala Lumpur, which is easily accessible.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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

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

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