

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0109
COMPANY NAME : SC ESTATE BUILDER BERHAD
FINANCIAL YEAR : JANUARY 31, 2019

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 Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors ("the Board") is responsible for the leadership, oversight and the long-term success of the Company and its subsidiaries ("the Group").</p> <p>Certain responsibilities of the Board are delegated to other Board Committees, which operate within clearly defined Terms of Reference ("TOR"). Standing committees of the Board include the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC").</p> <p>Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and/or decisions made by each Board Committee through the reports made by Chairman or representative of each Committee and the tabling of Board Committee Minutes of the applicable period for notation by the Board.</p> <p>It is the general policy of the Company that all major decisions be considered by the Board as a whole.</p> <p>To ensure the effective discharge of its function and duties, the primary responsibilities of the Board include (but are not limited to) the following:-</p> <p>(a) <u>Promote Good Governance Culture</u></p> <p>The Board and the Senior Management fully understand their collective duties and responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation with an optimal corporate governance framework in order to safeguard shareholders' value.</p> <p>(b) <u>Review of Management's Proposals and Business/Strategic Plan</u></p> <p>It is the practice of the Board to deliberate, review and approve the business proposals and strategic initiatives proposed by the Management. The Board monitors the implementation of the strategic initiatives regularly, through reporting updates by the Senior Management, to ensure that the Group is aligned with its objectives set.</p> <p>For the financial year ended 31 January 2019 ("FYE 2019"), the Management had presented to the Board the following proposals and strategic initiatives:-</p> <p>i. <u>Investments Opportunities</u></p> <p>With the aim to expand the Group's sources of revenue while at the same time, potentially to provide an alternative source of income, the Management had presented several potential investment proposals for the Board's consideration during FYE 2019, and these proposals were mainly construction related businesses.</p>

At the Board Meetings, the background information, business activities, advantages and disadvantages of the investment proposals, projected cash flow of the investment proposals and other related information were tabled to the Board for deliberation.

By analysing the pros and cons of the investment proposals, the Board provided feedback to the Management and made decisions whether to proceed or abort the investment proposals.

ii. **Annual Budget Plan**

As a financial activity tracking initiative, the Management had tabled to the Board, the annual budget plan of the Group for FYE 2019 for review and approval.

The Board reviewed and deliberated the basis and assumptions made by the Management when preparing the annual budget plan of the Group for FYE 2019 and provided guidance to ensure that the assumptions made were realistic and applicable to the Group.

(c) **Oversee of Business Operations and Performance Tracking**

The Senior Management Team which consists of the following senior management personnel, headed by the Managing Director, Mr. Loh Boon Ginn, are responsible for the day-to-day management and operations of the Group:-

Name	Designation
Mr. Loh Boon Ginn	Managing Director
Mr. Yin Siew Uei	Corporate General Manager

The principal responsibilities of the Senior Management are as follows:-

- Developing, co-ordinating and implementing business and corporate strategies for the approval of the Board.
- Implementing the policies and decisions of the Board.
- Overseeing the day-to-day operations of the Group.
- To participate in various management committees or working committees for the effective discharge of duties and functions.

The Board monitors the performance of Management on a regular basis vide insertion of relevant agenda item in the Board Meetings and/or Board Committees Meetings.

Relevant member(s) of the Senior Management Team will be invited to attend the Board and/or Board Committees Meetings to advise and update the Board and/or Board Committees with information, reports, clarifications on the relevant agenda items to be tabled to the Board and/or Board Committees, to enable the Board and/or Board Committees to keep abreast of the latest business activities and development of the Group.

The Senior Management is required to brief the Board on the operational performance of the Group which include key strategic initiatives, significant operational issues and challenges faced by the Management.

Meanwhile, the Corporate General Manager is required to present a report on the financial performance of the Group on a quarterly basis.

(d) **Framework for Internal Controls and Risk Management**

The Board has a risk management framework of the Group established to facilitate proper conduct of the Group's businesses and has established key control processes to ensure that there is a sound framework for reporting on internal controls and regulatory compliance.

	<p>The key features of the risk management framework and internal control system of the Group are disclosed in the <i>Statement on Risk Management and Internal Control</i> in the 2019 Annual Report.</p> <p>(e) <u>Identification of principal risks and implementation of appropriate internal control and mitigation measures</u></p> <p>Mindful of its duties in terms of identification of principal risks as well as the need to institute risk management and internal control measures, the Company has adopted an Enterprise Risk Management (“ERM”) Framework to manage its risk and opportunities.</p> <p>The RMC assists the Board on managing the risk exposure of the Group in order to achieve its business objective.</p> <p>The Risk Officer is responsible to perform risk identification, risk evaluation and make relevant recommendations for risk mitigation for the Group, and should report directly to the RMC on quarterly basis. The Risk Officer monitors the movement of the risk ratings and alert the RMC whenever there is new risk spotted on their radar.</p> <p>(f) <u>Succession Planning and Continuing Development</u></p> <p>The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring and training for high level management positions that become vacant due to retirement, resignation, death or disability and/or new business opportunity.</p> <p>The Board, through the NC, is responsible for the succession planning of the Directors of the Company and Group.</p> <p>The Senior Management personnel are expected to attend continuing development programmes to ensure that they are equipped with necessary skills and knowledge which are relevant to perform their work.</p> <p>(g) <u>Procedures for Effective Communication with Stakeholders</u></p> <p>The Board is aware of commitment to enhance long term shareholders’ value through regular communication with all its stakeholders.</p> <p>In ensuring the effective communication with the Company’s shareholders and stakeholders, the Corporate Disclosure Policy includes an Investor Relations (“IR”) section which serves as a guide for the Board to oversee the development of an effective IR programme and strategy to communicate the Corporate vision and mission, strategies, development, financial plans and prospects to investors, the financial community and other stakeholders and accurately and to obtain feedback from the stakeholders.</p> <p>(h) <u>Integrity of Financial and Non-Financial Reporting</u></p> <p>The Board ensures that shareholders are presented with a quality, clear, balanced, meaningful assessment of the Company’s financial performance and prospects through the issuance of the audited financial statements and quarterly announcements of financial results and vide corporate announcements on significant development in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“ACE LR”) on a timely basis and in compliance with the applicable financial reporting standards and corporate law.</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>		
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 :	<p>Datuk Cheng Lai Hock is the Chairman of the Board, and his key responsibilities as a Chairman, include but not limited to the following:-</p> <ul style="list-style-type: none"> (a) Demonstrates leadership for the Board in discharging its duties and responsibilities effectively. (b) Ensures that the Notice of the Board Meeting is issued at least seven (7) days prior to the Meeting, unless consent by all Directors on the shorter notice. (c) Leads the conduct of the Board Meetings and initiates discussion within the Board. (d) Stimulates participation and sharing of views and ideas from different perspectives by the Directors and ensures all views will be taken into consideration during the decision-making process by the Board. (e) Acts as the intermediary between the Board and the Management by coordinating smooth communication flow between both parties. (f) Chairs the general meetings of the Company and commits to answering the queries from the shareholders. (g) Communicates the views from the stakeholders to the Board as a whole, for consideration or improvement, if any. (h) Leads the Board to ensure compliance with all relevant laws and regulations, and to the best of their effort, promote and implement good governance practices within the organisation. 	
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 position of Chairman and Managing Director are held by different individuals. At present, Datuk Cheng Lai Hock is the Independent Non-Executive Chairman and Mr. Loh Boon Ginn is the Managing Director of the Company.</p> <p>The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority.</p> <p>The established roles and responsibilities of the Chairman are distinct and separate from the roles and responsibilities of the Managing Director. A clear division of responsibilities for the role of Chairman of the Board has been outlined in the Board Charter, which are distinct and separate from Mr. Loh Boon Ginn's roles and responsibilities as the Managing Director in his employment contract.</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

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 is supported by two (2) suitably qualified and competent Company Secretaries as follows:-</p> <ul style="list-style-type: none">• Ms. Chua Siew Chuan, FCIS• Mr. Cheng Chia Ping, ACIS <p>Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 (“CA 2016”).</p> <p>The brief profiles of the Company Secretaries are as follows:-</p> <p>(1) Ms. Chua Siew Chuan, FCIS</p> <p>Ms. Chua has been elected as a Fellow Member of the MAICSA since 1997. She has more than 35 years of experience in handling corporate secretarial matters, with working knowledge of many industries and government services. She is the Immediate Past President of MAICSA and currently is the Chairman of the Technical and Professional Practice Committee and Chairman of the Membership Committee of MAICSA.</p> <p>Ms. Chua is a Chartered Secretary by profession. She is the Managing Director of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Ms. Chua is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p>Ms. Chua has been appointed as Company Secretary to the Group with effect from 31 January 2013.</p> <p>(2) Mr. Cheng Chia Ping, ACIS</p> <p>Mr. Cheng has been elected as an Associate Member of the MAICSA since 2012. He has more than 10 years of experience in handling corporate secretarial matters, with working knowledge of many industries and non-profit organisations.</p> <p>Mr. Cheng is a Chartered Secretary by profession. He is a Manager (Corporate Secretarial) of Securities Services (Holdings) Sdn. Bhd., a prominent corporate secretarial service provider in Malaysia. Mr. Cheng is also the named company secretary for a number of public listed companies, public companies, private limited companies and societies.</p> <p>Mr. Cheng has been appointed as Company Secretary to the Group with effect from 1 April 2014.</p> <p>For FYE 2019, the Company Secretaries had attended the relevant continuous professional development programmes as required by MAICSA for practising company secretaries.</p>

	<p>All Directors have unrestricted access to the advice and support of the Company Secretaries in relation to Board policies and procedures, compliance of applicable rules and regulations by the Group and corporate governance related practices.</p> <p>The main roles and responsibilities of the Company Secretaries, include but not limited to the following:-</p> <ul style="list-style-type: none"> (a) Co-ordinate with Management on the logistics of all Board and Committee Meetings, attend the Board and Committee Meetings and record the Minutes of the Meetings accordingly. (b) Ensure timely communication of the decision of the Board or Committee to be conveyed to the relevant parties and whether any follow-up actions are required. (c) Advise the Board on its roles and responsibilities, particularly the additional or changes in obligations arising from the implementation of the new laws and regulations or any amendments thereof. (d) Provide advisory assistance to the new Director(s) appointed to the Board. (e) Identify relevant training and development programmes for the Directors, based on the training needs determined by the NC for the particular financial year. (f) Advise the Board on the requirements of corporate disclosures in accordance with the ACE LR for various corporate proposal, as well as compliance with the ACE LR, Capital Market and Services Act 2007 and the new CA 2016. (g) Ensure that all the proceedings of the general meetings are in order and the general meetings are properly called and convened, record the Minutes of the general meetings, as well as the discussion during the Questions and Answers session. (h) Identify the corporate governance initiatives which are applicable to the Group and highlighted the same to the Board for consideration. Monitor the corporate governance practices, by proposing relevant agenda items to be included as recurring meeting agenda. (i) Advise the Board on corporate governance related matters. (j) Facilitate the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's review. <p>For FYE 2019, the Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.</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

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>The Board fixes the forthcoming year annual meeting schedule by the end of every year. The annual meeting schedule, as soon as it has been confirmed by the Board, will be disseminated to the Management, for planning of work schedule a year ahead.</p> <p>The Notice of the scheduled Board Meeting is served to the Directors at least seven (7) days prior to the Board Meeting. Unless there is exceptional case for convening of Special Meeting of the Board to address emergency issue, shorter notice is allowed with the consent of all Directors.</p> <p>For FYE 2019, the Board papers were circulated to the Directors at least three (3) business days in both hardcopy and electronic form via e-mail prior to the Board Meeting, to allow ample time for Directors to consider the relevant information.</p> <p>The Board strives to circulate the Board papers at least five (5) business days in advance of the meeting day in the financial year ending 31 January 2020 ("FYE 2020").</p> <p>A comprehensive meeting papers comprising background, matters arising, research, analysis, findings/updates, results, presentations, recommendations and any other relevant information is prepared and circulated in advance to enable the Board to make considerations, deliberations and decisions.</p> <p>Subsequent to the Board Meeting, the Minutes will be circulated to the Board for confirmation to ensure that deliberations and decisions of the Board are accurately recorded.</p> <p>The Company Secretaries would ensure that a statement of declaration of interest or abstention from voting and deliberation is recorded in the Minutes.</p> <p>The Chairman of the Board Meeting signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book at the registered office of the Company to be made available for inspection under the CA 2016.</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 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 a Board Charter outlining the authority, responsibilities, membership and operation of the Board of the Group's, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia. The Board Charter entails, inter alia, the following main items:-</p> <ul style="list-style-type: none"> • Role of Board; • Relationship with Management; • Responsibilities of the Board; • Matters reserved for the Board; and • Structure of the Board. <p>The Board Charter is applicable to all Directors of the Company and, amongst other things, provides that all Directors must avoid conflicts of interest between their private financial activities and their part in the conduct of Company's business.</p> <p>The Board Committees in performing their responsibilities delegated by the Board would be guided by the TOR of each of the Committees as approved by the Board.</p> <p>The Board Charter is to be regularly reviewed by the Board as and when required.</p> <p>The updated Board Charter is available for viewing under the "Investor Relation" section of the Company's corporate website at www.scestatebuilder.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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 :	<p>The Board has established a Code of Ethics and Conduct ("the Code") in order to maintain the highest level of integrity and ethical conduct of the Board, Management and employees of the Group and to provide guidance to ensure that upholding the ethical conduct in the Board and/or employees daily work.</p> <p>The Code sets forth the values, expectations and standards of business ethics and conduct to guide the Board, the Management and employees of the Group.</p> <p>The guiding principles of the Code are as follows:-</p> <p>(i) Show respect in the workplace:-</p> <ul style="list-style-type: none">• Equal Opportunity• Anti-Harassment• Human Rights• Ensuring Workplace Health and Safety• Protection of Privacy• Use of Company's Assets with Due Care• Leading by Example• Continuous Training and Development <p>(ii) Act with integrity in the marketplace:-</p> <ul style="list-style-type: none">• Ensuring Products' Quality, Safety and Reliability• Responsible Sales and Marketing Practices• SCBUILD's Customers• SCBUILD's Suppliers• Community Involvement• Environmental-Friendly Practices <p>(iii) Ensure ethics in business relationships:-</p> <ul style="list-style-type: none">• Conflict of Interest• Anti-Corruption• Anti-Money Laundering• Insider Trading <p>(iv) Ensure effective communication:-</p> <ul style="list-style-type: none">• Corporate Disclosure• Spokesman• Whistleblowing <p>The Code will be reviewed on biennially basis and the last review was on 15 June 2017.</p>

	<p>Handling of Reported Allegation(s)</p> <p>The AC is responsible for the interpretation and supervision of the enforcement of the Code. The action to be taken by the Group in response to a report of concern under the Code will depend on the nature of the concern. The AC upon receiving the information on each report of concern shall ensure that follow-up actions be taken accordingly.</p> <p>The Code is available for viewing under the “Investor Relations” section of the Company’s corporate website at www.scestatebuilder.com.my.</p>	
<p>Explanation for departure :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

The 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 :	<p>The Board has adopted a Whistleblowing Policy on 25 March 2019.</p> <p>The Board recognises whistleblowing as a specific means by which an employee/officer or stakeholder can reports or discloses through established channels, the concerns about any violations of the Code, unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place/has taken place/may take place in the future.</p> <p>The AC has been tasked with the review of whistleblowing reports either made through the Company following established communication and feedback channels or through any other means.</p> <p>Anyone with genuine concerns in relation to unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements may forward his report to the designated persons as provided below (where applicable):-</p> <table border="1"><tr><td><p>For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated Director:-</p><p><u>AC Chairman</u></p><p>Mr. Ooi Soo Kok at email address: skooi@porooi.com.my</p></td></tr><tr><td><p>For employment-related concerns, one can report directly to the following designated Director:-</p><p><u>Managing Director</u></p><p>Mr. Loh Boon Ginn at email address: alex.loh@scestatebuilder.com.my</p></td></tr><tr><td><p>For any concerns from the shareholders/stakeholders, one can email to the following designated Director:-</p><p><u>Independent Non-Executive Chairman</u></p><p>Datuk Cheng Lai Hock at email address: clhtax@gmail.com</p></td></tr></table> <p>For FYE 2019, none of the designated Directors have received any report or concerns vide the abovementioned communication and feedback channels.</p>	<p>For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated Director:-</p> <p><u>AC Chairman</u></p> <p>Mr. Ooi Soo Kok at email address: skooi@porooi.com.my</p>	<p>For employment-related concerns, one can report directly to the following designated Director:-</p> <p><u>Managing Director</u></p> <p>Mr. Loh Boon Ginn at email address: alex.loh@scestatebuilder.com.my</p>	<p>For any concerns from the shareholders/stakeholders, one can email to the following designated Director:-</p> <p><u>Independent Non-Executive Chairman</u></p> <p>Datuk Cheng Lai Hock at email address: clhtax@gmail.com</p>
<p>For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated Director:-</p> <p><u>AC Chairman</u></p> <p>Mr. Ooi Soo Kok at email address: skooi@porooi.com.my</p>				
<p>For employment-related concerns, one can report directly to the following designated Director:-</p> <p><u>Managing Director</u></p> <p>Mr. Loh Boon Ginn at email address: alex.loh@scestatebuilder.com.my</p>				
<p>For any concerns from the shareholders/stakeholders, one can email to the following designated Director:-</p> <p><u>Independent Non-Executive Chairman</u></p> <p>Datuk Cheng Lai Hock at email address: clhtax@gmail.com</p>				
Explanation for departure :				

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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 majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>For FYE 2019, the Board comprises eight (8) members, four (4) of whom are Independent Non-Executive Directors (“INEDs”), three (3) of whom are Non-Independent Non-Executive Directors (“NINEDs”) and one (1) Managing Director who is an Executive Director. The Board composition complied with the Rule 15.02(1) of the ACE LR and Practice 4.1 of the Malaysian Code on Corporate Governance (“MCCG”).</p> <p>The roles of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Director and Management are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.</p> <p>The current Board structure ensures that no individual or group of individuals dominates the Board’s decision-making process. The composition of the Board provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, corporate affairs, legal and technical areas of the industry in which the Group operates. The individuality and vast experience of the Directors in arriving at collective decisions at Board level will ensure impartiality.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	<p>The NC assessed the independence of the INEDs and monitors their tenure annually.</p> <p>None of the Independent Directors has exceeded the tenure of a cumulative term of nine (9) years in the Company as at 30 April 2019.</p> <p>However, the Board observe Practices 4.2 of the MCCG, that upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director or if the Board intends to retain an Independent Director beyond nine (9) years, it will justify and seek annual shareholders' approval.</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	:		
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 4.4

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.

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>The NC has adopted the following protocol for appointment of Directors in order to ensure that the Board has the right mix and skill to meet its needs and objectives:-</p> <div data-bbox="548 583 1416 1138" data-label="Diagram"> <pre> graph LR S1[Stage 1 Review of the potential candidate based on the following criteria:- • qualifications; • skills and competence; • functional knowledge; • experience; • character; • gender diversity; • integrity and professionalism; and • time commitment.] --> S2[Stage 2 Board Gaps Review • the overall composition of the Board; • combination of skills of existing Directors; and • any regulatory requirements and/or best practices available.] S2 --> S3[Stage 3 Recommendation to the Board • Recommendation to be submitted to the Board for consideration and approval] </pre> </div> <p>Identification of candidates for the appointment of Directors is facilitated through recommendations from the Directors, Management or external parties including the Company's contacts in related industries, finance, legal and accounting professions.</p> <p>The Board affirms its commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness and capacity with diversity of thoughts and perspectives.</p> <p>Bearing in mind that an appointment to the Board is a long term commitment to the Company, the Board has not set any short term target or measure for boardroom diversity but nevertheless works to ensure that there is no discrimination on the basis of, but not limited to, ethnicity, race, age, gender, nationality, political affiliation, religious affiliation, sexual orientation, marital status, education, physical ability or geographic region, during the recruitment of new Board members.</p> <p>During the financial year under review, Mr. Ooi Soo Kok, an INED is being appointed to the Board of the Company.</p> <p>Despite the Board not having any formalised Board Diversity Policy or Gender Diversity Policy, the Board has indicated its commitment to boardroom diversity by the following appointments:-</p> <p>Age Diversity</p> <p>The Board believes that the Directors with diverse age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process.</p>

	<p>The age profile of the Directors were ranging from twenties to sixties years of age, which underlies the Board's commitment to age diversity at the Board level appointment.</p> <p>Gender Diversity</p> <p>For FYE 2019, the Board comprises three (3) female Directors, equivalent to 37.5% women representation on Board, which had exceeded the 30% target as envisaged by the government.</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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Despite the Board not having any formalised Board Diversity Policy or Gender Diversity Policy, the Board had achieved the 30% target as envisaged by the former Malaysian government.</p> <p>For FYE 2019, the Board comprises three (3) female Directors, equivalent to 37.5% women representation on Board,</p> <p>Alternate Practices:</p> <ol style="list-style-type: none"> 1) Substance over form, the Board already have 37.5% of women Directors, despite the lack of Board Diversity Policy. 2) At the juncture, the Board affirmed that in the event any Board seat becomes available, gender diversity shall be one of the criteria to be considered by the NC during their evaluation process on potential candidate(s) for Board's membership. 3) Majority of the Board are consisted of INEDs and any decision by the Board would require the consent of the majority of the Board members, taking into account the best interest of the Company. In addition, the INEDs are of diverse background i.e. of accounting background, of legal background and of civil engineering background whom are able to provide diverse insights and perspectives during board deliberation and decision-making process. <p>The Board noted that the above practices have already met the above Intended Outcome.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	In identifying new Directors for appointment, the Board would consider recommendation from the existing Board members, Management, or major shareholders.	
		In view of cost consideration and effectiveness, taking into account the operational requirement of the Group, the Board did not utilise independent sources to identify suitably qualified candidates.	
		Alternate Practice:	
		During the financial year under review, a new Director, Mr. Ooi Soo Kok was appointed to the Board. The NC had run through the protocol as provided above to evaluate the suitability for the appointment of Mr. Ooi Soo Kok, prior to making recommendation to the Board for consideration.	
<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	:	<p>The NC is chaired by Mr. Ooi Soo Kok, an INED.</p> <p>The Chairman of the NC is responsible to lead the NC to carry out annual review of effectiveness of the Board as a whole, and the Board Committees, as well as 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

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	: <u>Annual Assessment on Effectiveness of Board and Individual Directors</u> The Board has delegated to the NC to carry out annual assessment on effectiveness of the Board, its Committees and each individual Director. In FYE 2019, the Board, through the NC, has conducted the following annual assessments to determine the effectiveness of the Board, its Committees and each individual Director in respect of the FYE 2018:- (i) <u>Directors' self and peer performance evaluation</u> The evaluation forms were circulated to each and every Director for completion. The Directors are required to assess his/her own performance, as well as the performance of his/her peers based on the questionnaire provided, with the exception of Mr. Ooi Soo Kok as he was only appointed as an INED on 29 October 2018. The evaluation results were compiled by the Company Secretaries and tabulated at the NC Meeting held in March 2019, for the NC's review. In conducting the evaluation, the NC had assessed the performance of each individual Directors based on the following main criteria:- (i) Fit and proper; (ii) Contribution and performance; and (iii) Calibre and personality. Based on the outcome of the evaluation conducted, the NC has suggested area of improvement for the Directors, particularly to enhance skillset by attending trainings in relation to ACE LR, CA 2016 or corporate governance in order to contribute positively to the Board. In overall, the NC is satisfied with the performance of the individual Directors for FYE 2018. (ii) <u>Evaluation on the effectiveness of the Board and Committees</u> The evaluation forms were completed by the members of the NC on individual basis, with the exception of Mr. Ooi Soo Kok. The evaluation results were compiled by the Company Secretaries and tabulated at the NC Meeting held in March 2018, for the NC's review. In conducting the evaluation, the NC had assessed the performance and effectiveness of the Board and the Committees based on the following main criteria:- <u>Board as a whole</u> (i) Board mix and composition; (ii) Quality of information and decision making;

(iii) Boardroom Activities;

Board Committees' Performance

- (i) Mix and composition;
- (ii) Roles and responsibilities;
- (iii) Contribution to Board's decision making; and
- (iv) Communication.

The NC is satisfied with the effectiveness of the Board and the Committees for FYE 2018.

Annual Assessment on Independence of Directors

The Board, through the NC, carried out an annual assessment of the independence of the INEDs during FYE 2019.

The criteria used in assessing the independence of the INEDs are based on the definition in Rule 1.01 of the ACE LR and whether the INEDs are able to provide objective and independent views on various issues dealt with at Board and Board Committee level.

The NC has received assurance from the following INEDs vide their Letters of Declaration, confirming their independence and have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-

- Datuk Cheng Lai Hock
- Ms. Ooi Bee Chin
- Dato' Ir. Loh Kim Mon
- Mr. Ooi Soo Kok

Based on the outcome of the abovementioned assessment conducted by the NC, the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

The Board considers that its Independent Directors provide objective and independent views on various issues dealt with at the Board and Board Committee level. All INEDs are independent of management and free from any relationship. The Board is of the view that the current composition of Independent Directors fairly reflects the interest of minority shareholders in the Company through the Board representation.

Assessment on Retiring Directors

The NC is responsible for making recommendation to the Board on the eligibility of the Directors to stand for re-election at the Annual General Meeting ("AGM").

During FYE 2019, the NC had considered the requirements under Rule 2.20A of the ACE LR and conducted assessment on Chiam Tau Meng and Mr. Loh Boon Ginn who shall retire at the 14th AGM of the Company pursuant to Article 85 of the Articles of Association, based on the following criteria:-

- Character
- Experience
- Integrity and professionalism
- Time commitment to discharge his roles
- Results from evaluation of individual director performance
- Supply of relevant and timely information to the Board
- Conduct of Board meetings and Contribution to the Board
- Satisfactory independence test (*for INEDs*)

Upon review, the NC is satisfied with the performance of Mr. Chiam Tau Meng, and Mr. Loh Boon Ginn and recommended to the Board on their re-election at the 14th AGM.

	<p><u>Review of profile and recommendation for appointment</u></p> <p>The NC has reviewed the profile of Mr. Ooi Soo Kok, with the established three(3)-stage review process as mentioned in Practice 4.4 prior to the recommendation of appointment as Director to the Board for approval.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Directors' Remuneration Policy which sets out the criteria to be used in recommending the remuneration package of Executive Directors and Senior Management, and designed to ensure that the Directors and Senior Management are paid a remuneration commensurate with the responsibilities of their positions.</p> <p>The RC, when recommending the remuneration package of the Executive Director and Senior Management, shall be guided by the main components and procedures provided in the Directors' Remuneration Policy.</p> <p>The Directors' Remuneration Policy will be reviewed on biennially and as when required basis and the last review was in March 2018.</p> <p>A copy of the updated Directors' Remuneration Policy is available for viewing under the "Investor Relation" section of the Company's corporate website at www.scestatebuilder.com.my.</p> <p>It is the existing practice of the Company that all the Directors to abstain from deliberation and voting on fixing their own remuneration package or Directors' fee.</p> <p>The Company would adopt the practice for the Directors who are also a shareholder of the Company to abstain from voting at the general meetings to approve their Directors' fee from the FYE 2020 onwards.</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 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	<p><u>Remuneration Committee</u></p> <p>The members of the RC comprises majority of INEDs and the composition of the RC is as follows:-</p> <table border="1"><thead><tr><th>Name</th><th>Designation</th><th>Directorate</th></tr></thead><tbody><tr><td>Datuk Cheng Lai Hock</td><td>Chairman</td><td>INED</td></tr><tr><td>Loh Shy Ming</td><td>Member</td><td>NINED</td></tr><tr><td>Loh Boon Zheng</td><td>Member</td><td>NINED</td></tr><tr><td>Ooi Bee Chin</td><td>Member</td><td>INED</td></tr><tr><td>Ooi Soo Kok (Appointed w.e.f 29 October 2018)</td><td>Member</td><td>INED</td></tr></tbody></table> <p>The RC is governed by its TOR of RC which outlines its remit, duties and responsibilities and the same is available for viewing under the "Investor Relations" section of the Company's corporate website at www.scestatebuilder.com.my.</p> <p>Summary of Works</p> <p>The following works were undertaken by the RC during the financial year under review:-</p> <ul style="list-style-type: none">(i) Reviewed and confirmed the Minutes of the RC Meeting;(ii) Deliberated on the remuneration packages of the Managing Director for FYE 2019 and recommended the same to the Board for approval;(iii) Reviewed the Directors' fees payable to the Directors of the Company and the Group for the FYE 2019 and recommended the same for the Board for consideration;(iv) Reviewed the benefits payable to the Directors of the Company and its subsidiaries for the period from 31 July 2018 to the 15th AGM of the Company and recommended the estimated quantum to the Board for consideration;(v) Reviewed the meeting allowances of the Directors of the Company for the FYE 2019 and recommended the same for the Board for approval; and(vi) Reviewed the Directors' Remuneration Policy.	Name	Designation	Directorate	Datuk Cheng Lai Hock	Chairman	INED	Loh Shy Ming	Member	NINED	Loh Boon Zheng	Member	NINED	Ooi Bee Chin	Member	INED	Ooi Soo Kok (Appointed w.e.f 29 October 2018)	Member	INED
Name	Designation	Directorate																	
Datuk Cheng Lai Hock	Chairman	INED																	
Loh Shy Ming	Member	NINED																	
Loh Boon Zheng	Member	NINED																	
Ooi Bee Chin	Member	INED																	
Ooi Soo Kok (Appointed w.e.f 29 October 2018)	Member	INED																	

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	: Applied																																																																																																																		
Explanation on application of the practice	: <p>There is detailed disclosure on named basis for the remuneration of individual Directors.</p> <p>For the FYE 2019, the aggregate of remuneration received and receivable by the Executive Director and Non-Executive Directors of the Company and the Group categorised into appropriate components are as follows:-</p> <p>Received from the Company</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Salaries RM</th> <th>Fees RM</th> <th>Benefits-in-kind RM</th> <th>Others RM</th> <th>Total RM</th> </tr> </thead> <tbody> <tr> <td colspan="6">Executive Director</td> </tr> <tr> <td>Loh Boon Ginn</td> <td>-</td> <td>-</td> <td>-</td> <td>4,000</td> <td>4,000</td> </tr> <tr> <td colspan="6">Non-Executive Directors</td> </tr> <tr> <td>Datuk Cheng Lai Hock</td> <td>-</td> <td>24,000</td> <td>-</td> <td>12,000</td> <td>36,000</td> </tr> <tr> <td>Dato' Ir. Loh Kim Mon</td> <td>-</td> <td>18,000</td> <td>-</td> <td>12,000</td> <td>30,000</td> </tr> <tr> <td>Mr. Ooi Soo Kok (Appointed w.e.f. 29 October 2018)</td> <td>-</td> <td>6,247</td> <td>-</td> <td>2,000</td> <td>8,247</td> </tr> <tr> <td>Ooi Bee Chin</td> <td>-</td> <td>18,000</td> <td>-</td> <td>12,000</td> <td>30,000</td> </tr> <tr> <td>Loh Boon Zheng</td> <td>-</td> <td>18,000</td> <td>-</td> <td>12,000</td> <td>30,000</td> </tr> <tr> <td>Loh Shy Tyug</td> <td>-</td> <td>18,000</td> <td>-</td> <td>12,000</td> <td>30,000</td> </tr> <tr> <td>Loh Shy Ming</td> <td>-</td> <td>18,000</td> <td>-</td> <td>12,000</td> <td>30,000</td> </tr> <tr> <td>Chiam Tau Meng (Retired w.e.f. 30 July 2018)</td> <td>-</td> <td>11,836</td> <td>-</td> <td>4,000</td> <td>15,836</td> </tr> <tr> <td>Total</td> <td>-</td> <td>132,083</td> <td>-</td> <td>82,000</td> <td>214,083</td> </tr> </tbody> </table> <p>Received on Group Basis</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Salaries RM</th> <th>Fees RM</th> <th>Benefits-in-kind RM</th> <th>Others RM</th> <th>Total RM</th> </tr> </thead> <tbody> <tr> <td>Datuk Cheng Lai Hock</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Loh Boon Ginn</td> <td>403,200</td> <td>-</td> <td>-</td> <td>923</td> <td>404,123</td> </tr> <tr> <td>Loh Boon Zheng</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Loh Shy Ming</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total</td> <td>403,200</td> <td>-</td> <td>-</td> <td>923</td> <td>404,123</td> </tr> </tbody> </table> <p><i>Note: Salary includes bonus and EPF</i></p>	Name of Director	Salaries RM	Fees RM	Benefits-in-kind RM	Others RM	Total RM	Executive Director						Loh Boon Ginn	-	-	-	4,000	4,000	Non-Executive Directors						Datuk Cheng Lai Hock	-	24,000	-	12,000	36,000	Dato' Ir. Loh Kim Mon	-	18,000	-	12,000	30,000	Mr. Ooi Soo Kok (Appointed w.e.f. 29 October 2018)	-	6,247	-	2,000	8,247	Ooi Bee Chin	-	18,000	-	12,000	30,000	Loh Boon Zheng	-	18,000	-	12,000	30,000	Loh Shy Tyug	-	18,000	-	12,000	30,000	Loh Shy Ming	-	18,000	-	12,000	30,000	Chiam Tau Meng (Retired w.e.f. 30 July 2018)	-	11,836	-	4,000	15,836	Total	-	132,083	-	82,000	214,083	Name of Director	Salaries RM	Fees RM	Benefits-in-kind RM	Others RM	Total RM	Datuk Cheng Lai Hock	-	-	-	-	-	Loh Boon Ginn	403,200	-	-	923	404,123	Loh Boon Zheng	-	-	-	-	-	Loh Shy Ming	-	-	-	-	-	Total	403,200	-	-	923	404,123
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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>As disclosed under Practice 1.1 of this Report, in view of the lean management structure adopted by the Company, the Senior Management only consist of two (2) management personnel including the Managing Director of the Company (of which his detailed remuneration has been disclosed under Practice 7.1 of this Report).</p> <p>Whilst for the remaining Senior Management, the Board is of that view that such disclosure by named basis would have an adverse effect on the Company's talent retention in the competitive industry. All Senior Management are remunerated based on their scope of duty and responsibilities, the Group's and individual performance and other criteria as guided by the Directors' Remuneration Policy.</p> <p>The RC is of the view that the level of remuneration package of the top two (2) Senior Management in respect of FYE 2019 is fair and reasonable to retain and reward the talents.</p> <p>Alternate Practice:</p> <p>Practice 7.1 has been applied where there is detailed disclosure on named basis for the remuneration of individual Directors. Therefore, the Intended Outcome in respect of the Directors have been met where the stakeholders would be to assess whether the remuneration of directors is commensurate with their individual performance, taking into consideration the company's performance.</p> <p>As a check-and-balance system, the TOR of the RC has been revised by the Board, where the RC is now responsible to review the remuneration packages of the Senior Management on a yearly basis, to ensure the packages provided commensurate with their individual performance, taking into consideration the company's performance.</p> <p>The division of roles and responsibilities between Board, Board Committees, Individual Directors and Management, as advocated under Practice 2.1, has been encapsulated in the Board Charter and duly adopted by the Board. In view thereof, stakeholders should entrust the Board to assess whether the remuneration of directors and Senior Management are commensurate with their individual performance, taking into consideration the Company's performance.</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 7.3 - 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	:	<p>The AC is chaired by Mr. Ooi Soo Kok, which is a separate person from the chair of the Board.</p> <p>During FYE 2019, the Chairman of the AC has led the members of the AC in discharging their responsibilities relating to accounting and reporting practices of the Company and the Group.</p> <p>The membership, a summary of the activities of the AC and internal audit function and activities in respect of FYE 2019 are stated in the AC Report of the 2019 Annual Report.</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 8.2

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>For FYE 2019, there were no new Board members who were former key audit partners of the Group</p> <p>The AC has instituted a policy by way of inclusion in the TOR of the AC that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. The TOR of the AC has been updated accordingly in order for the AC to formalise such policy.</p> <p>As a matter of practice, the AC has recommended to the NC not to consider any former key audit partner as a potential candidate for Board Directorship/Audit Committeeship to affirm the AC's stand on such policy.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 AC has policies and procedures to assess the suitability, objectivity and independence of external auditors and that such assessment would be carried out annually. The outcome of the assessment would form a basis for the AC in making recommendation to the Board on the re-appointment of the external auditors for the ensuing year at the AGM.</p> <p>During FYE 2019, the AC has carried out the annual assessment and in its assessment, the AC considered, inter alia, the following factors:-</p> <p>For "suitability" assessment:-</p> <ul style="list-style-type: none">• The external auditors have the adequate resources, skills, knowledge and experience to perform their duties with professional competence and due care in accordance with approved professional auditing standards and applicable regulatory and legal requirements;• To the knowledge of the AC, the external auditors do not have any record of disciplinary actions taken against them for unprofessional conduct by the Malaysian Institute of Accountants ("MIA") which has not been reserved by the Disciplinary Board of MIA;• The external auditors firm has the geographical coverage required to audit the Group;• The external auditors firm advises the AC on significant issues and new developments pertaining to risk management, corporate governance, financial reporting standards and internal controls on a timely basis;• The external auditors firm consistently meets the deadlines set by the Group;• The level of quality control procedures in the external audit firm, including the audit review procedures; and• The external auditors' scope is adequate to cover the key financial and operational risks of the Group. <p>For "objectivity" assessment:-</p> <ul style="list-style-type: none">• The nature and extent of the non-audit services rendered and the appropriateness of the level of fees. <p>For "independence" assessment:-</p> <ul style="list-style-type: none">• The engagement partner has not served for a continuous period of more than five (5) years with the Company;• The AC receives written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and• Tenure of the current auditors. <p>The AC noted for the FYE 2019, Messrs. Ong & Wong, the external auditors of the Company confirmed in writing that the engagement quality control reviewer and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of</p>

	<p>relevant professional and regulatory requirements.</p> <p>Upon completion of its assessment, the AC was satisfied with Messrs. Ong & Wong technical competency i.e. suitability and independence during the financial year under review and recommended to the Board the re-appointment of Messrs. Ong & Wong as external auditors for the FYE 2020. The Board has in turn, has recommended the same for shareholders' approval at the forthcoming AGM of the Company.</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 AC conducts self and peer evaluation annually to assess the performance and skillsets of the individual AC members and their peers.</p> <p>During FYE 2019, the AC members had completed the assessment on individual basis and the results were compiled by the Company Secretaries and tabled for the AC's review.</p> <p>Based on the results of the assessment, the AC members are financially literate and understand the Group's business. The AC as a whole, has necessary skills and knowledge to discharge their duties.</p> <p>The members of the AC have attended various continuous trainings and development programmes as detailed in Corporate Governance Overview Statement in the 2019 Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board has established a framework for risk management and internal control. Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of this framework have been disclosed in the Statement of Risk Management and Internal Control of the 2019 Annual Report.</p> <p>During FYE 2019, the risk management and internal control functions were assumed and overseen by the RMC and the AC respectively.</p> <p>Risk Management</p> <p>The Risk Officer is responsible for implementing processes in identifying, evaluating, monitoring and reporting of risks and internal controls which arise from daily business activities of the Group. The risk profile covering risk assessment, classification and risk ranking followed by action plans taken to mitigate the risks identified are then presented to the RMC for review on a quarterly basis. The Risk Officer together with the Management ensure timely resolution of outstanding issues and implementation of action plans that are to be carried out and completed within the reasonable timeframe to mitigate the risks level.</p> <p>Risk Management Committee</p> <p>The Board has formed a RMC to oversee the Company's risk management framework and policies, which would subsequently take over the duties in relation to oversight of risk management function, previously assumed by the AC with the assist from the Risk Officer and the Management.</p> <p>In adopting the Step-Up Practice 9.3 of the new MCCG, the composition of RMC comprises a majority of Independent Directors, to oversee the company's risk management framework and policies.</p> <p>The memberships of the RMC are stated in the Statement on Risk Management and Internal Control of the 2019 Annual Report.</p> <p>Internal Controls</p> <p>The internal controls are tested for effectiveness and efficiency two (2) cycles per financial year by an independent outsourced internal audit function following risk-based approaches. The report of the internal audit is tabled for the AC's review and deliberations, and the audit findings will then be communicated to the Board.</p> <p>For the FYE 2019, the Board opined that the risk management and internal controls of the Group were effective and adequate.</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 9.2

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 Statement on Risk Management and Internal Control as set out in 2019 Annual Report provides an overview of the state and features of risk management framework and internal control processes within the Group.	
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	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has formed a RMC to oversee the Company's risk management framework and policies, which would subsequently take over the duties in relation to oversight of risk management function, previously assumed by the AC with the assistance of the Risk Officer and the Management.</p> <p>The composition of RMC comprises a majority of Independent Directors, to oversee the Company's risk management framework and policies.</p> <p>The memberships of the RMC are stated in the Statement on Risk Management and Internal Control of the 2019 Annual Report.</p>

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 of the Group is carried out by an external service provider, RCA Corporate Services Sdn. Bhd. (“RCA”). The outsourced internal auditors report directly to the AC and provide the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function.</p> <p>The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.</p> <p>The internal audit review of the Group’s operations encompasses an independent assessment of the Company’s compliance with its internal controls and recommendations are made for further improvement.</p> <p>The following matters (non-exhaustive), in relation to the internal audit function of the Group, are reserved matters for the AC:-</p> <ul style="list-style-type: none"> (a) Consider the appointment of the internal auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person(s) as auditors. (b) Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings. (c) Review any appraisal or assessment of the performance of members of the internal audit function. <p>During FYE 2019, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced internal auditors and that they have the necessary authority to carry out their work.</p> <p>Further details of the Internal Audit Function have been disclosed under the AC Report of the 2019 Annual Report.</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 Group has appointed an outsourced internal audit service provider, Insight to carry out the internal audit function.</p> <p>The purpose of the internal audit function is to provide the Board, through the AC, reasonable assurance of the effectiveness of the system of internal control in the Group.</p> <p>The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.</p> <p>The profile of RCA is set out as follows:-</p>
	Date of Appointment	: 20 June 2016
	Principal Engagement Lead	: Mr. Clement Cheong, MBA <i>Director, Corporate Governance & Risk Management</i>
	Qualifications	: <ul style="list-style-type: none"> ▪ Member of the Malaysian Institute of Accountants ▪ Member of the Malaysian Institute of Certified Public Accountants ▪ Master of Business Administration, University of Bath ▪ Member of Institute of Bankers, Malaysia ▪ Charter Member, Certified Risk Professional
	Experiences	: <p>Mr. Clement Cheong has over fifteen (15) years of professional experience in providing internal audit, risk management advisory as well as financial management advisory services.</p> <p>He began his accountancy training with one of the Big Four accounting practice and then moved on to the banking and finance sector. He had held various key positions in the banking industry, serving as the Chief Internal Auditor of three major public listed financial institutions. He had also served as the Chief Financial Officer of a major public listed banking group. He was also involved in the setting up of the Integrated Risk Management division and had overseen Remedial Management for a major bank.</p>
	Number of resources	: The engagement team consisted of four (4) personnel, including the principal engagement lead, while the fieldwork for the audited areas were conducted by three (3) personnel.

	For FYE 2019, the RCA's engagement team personnel have affirmed to the AC that in relation to the Company/Group, they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 11.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board has developed internal corporate disclosure practices to ensure effective communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.</p> <p>The Board has a Corporate Disclosure Policy in place to ensure only designated spokesmen will be authorised to disseminate information to ensure consistent and accurate flow of information disclosure to the stakeholders.</p> <p>The Board has designated a limited number of spokespersons who responsible for communication with investment community, regulators and media.</p> <p>Primary Spokesmen:-</p> <ul style="list-style-type: none">(i) Chairman; or failing which,(ii) Managing Director; or failing which,(iii) Corporate General Manager. <p>The Board also has a Shareholder Communication Policy in place to ensure that shareholders, both individual and institutional and in appropriate circumstance, the investment community at large, are provided with ready, equal and timely access to understandable material information about the Group in order to enable shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company.</p> <p>The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follows:-</p> <p>(a) Announcements to Bursa Securities</p> <p>Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Securities.</p> <p>Shareholders and investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Securities at www.bursamalaysia.com.my.</p> <p>(b) Annual Reports</p> <p>The Company's Annual Reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year end as well as the status of compliance with applicable rules and regulations.</p>

	<p>(c) AGM/General Meetings</p> <p>The AGM/General Meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.</p> <p>(d) Corporate Website</p> <p>The Company's corporate website provides a myriad of relevant information on the Company and is accessible by the public.</p> <p>The Company has created dedicated sections to ensure more effective dissemination of information:-</p> <ul style="list-style-type: none"> • A dedicated "Investor Relations" section which provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company, Annual Reports, TOR and corporate policies of the Company. • A dedicated "Corporate Events" section which provides access to the press releases made by the Company, for ease of reference by the shareholders. <p>The Company's corporate website is accessible at www.scestatebuilder.com.my.</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	:	Departure	
Explanation on application of the practice	:	Not adopted as the Company is not a large company.	
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 12.1

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	:	<p>The Notice of 15th AGM which appended together with the 2019 Annual Report, was sent to shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and resolved at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the meeting, was also published in a major local newspaper.</p> <p>The explanatory notes to the Notice of AGM also provide detailed explanation for better understanding on each resolution proposed to enable shareholders to make informed and proper decisions in exercising their voting rights.</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 12.2

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>All the Directors were present at the 14th AGM of the Company held in 2018 to engage with the shareholders personally and proactively.</p> <p>The proceedings of the AGM included the presentation of financial statements to the shareholders, and a question and answer session in which the Chairman of the AGM would invite shareholders to raise questions on the Company's financial statements and other items for adoption at the AGM, before putting a resolution to vote.</p> <p>Sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.</p> <p>The Chairmen of the Board Committees are also readily available to address the questions posted by the shareholders at the general meetings.</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

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), the Board noted several factors/conditions need to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"> • Relevant amendments to the Articles of Association/Constitution of the Company to outline the procedures for enabling such voting/participation; • Availability of technology and infrastructure; • Affordability of the technology and infrastructure; • Sufficient number of shareholders residing/ locating at particular remote location(s); • Age profile of the shareholders. <p>In view thereof, the Board will not be recommending the adoption such voting/participation format at the forthcoming AGM of the Company.</p> <p>As an alternative practice, the Company has made the following arrangements:-</p> <p>(1) <u>Venue of AGM at Klang Valley</u></p> <p>The location of the general meetings has always been held in the location with accessible transportation links to enable the shareholders' attendance with comfort. The venue of the upcoming 15th AGM has been fixed at an atmospheric location in Shah Alam.</p> <p>(2) <u>Appointment of Proxy(ies)</u></p> <p>For shareholders who are not able to make the journey to the AGM venue, they are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at the AGM.</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	:	
Timeframe	:	

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.

Not Applicable.
