

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4316
COMPANY NAME : SIN HENG CHAN (MALAYA) BERHAD
FINANCIAL YEAR : December 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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance. The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realizing long-term shareholders’ values.</p> <p>The Board has assumed the following principal responsibilities in discharging its fiduciary duties:</p> <ul style="list-style-type: none"> (a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s business; (b) Overseeing the conduct of the Group’s businesses and evaluating if its businesses are being properly managed; (c) Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks; (d) Ensuring that all candidates appointed to senior management positions are of sufficient caliber, including the orderly succession of senior management personnel; (e) Reviewing the adequacy and integrity of the Group’s internal control and management information systems; (f) Carrying out periodic review of the Group’s financial performance and operating results and major capital commitments; and (g) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Group. <p>To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:</p> <ul style="list-style-type: none"> (a) Audit Committee (b) Nomination Committee

	<p>(c) Remuneration Committee</p> <p>All Committees have written terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company and the Group.</p> <p>The Board's leadership role, governance arrangements, and effectiveness are discussed in the Annual Report 2019.</p>	
<p>Explanation for departure</p>		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</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 1.2

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>The Chairman is an Independent Non-Executive Director. He leads the Board and ensures its smooth and effective functioning and has specific responsibilities as set out in the Board Charter.</p> <p>The Chairman's role includes among others providing leadership to the Board, monitoring and managing the workings of the Board, discussion of relevant issues, ensuring quality and timely information for decision making, encouraging Directors to play an active role and liaison with the Managing Director and Company Secretary on the agenda for Board meetings.</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

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 roles of the Chairman and Managing Director is separated and held by different individual.</p> <p>There is no family relationship between them.</p> <p>There is clear division of responsibilities between the Chairman of the Board and the Managing Director.</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

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 qualified and competent Company Secretaries who facilitate overall compliance with the Companies Act 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and other laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>The Company Secretaries are responsible for the following in respect of effective Board operation:</p> <ul style="list-style-type: none">(a) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting, Extraordinary General Meeting and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;(b) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia Securities Berhad on a timely basis;(c) Ensure that deliberations at the meetings are well captured and minuted;(d) Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;(e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;(f) Remind the Directors and principal officers to refrain from dealings in the Company's securities during the closed period.(g) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.(h) Assist the Chairman to organize and co-ordinate in all the Board Committee, Board and General meetings;(i) Attend all the Board Committee, Board and General meetings;(j) To upkeep and update the statutory records;(k) To liaise with internal and external auditors to furnish them with the statutory records for audit purposes; and(l) As the adviser to the Board and compliance officer of the Company.
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

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 meets on a quarterly basis, with additional meetings convened as and when necessary.</p> <p>All Directors are notified with the notice of Board Meetings at least 7 days in advance. The agenda and a set of board papers were issued at least 3 days from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary, to expedite the decision-making process effectively.</p> <p>During the financial year ended 31 December 2019, four (4) Board Meetings were held. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.</p> <p>The Board recognizes that the decision-making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.</p> <p>The Executive Directors and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision-making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.</p> <p>External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team.</p> <p>All proceedings of the Board Meetings are properly recorded in the minutes of meetings by the Company Secretary, circulated in a timely manner and duly signed by the Chairman of the meetings. The Board also resolved and approved the Company's matters through circular resolutions during the financial year.</p>

	<p>Every Director has also unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharge their duties effectively.</p> <p>There is a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity to take independent professional advice at the Group's expense, where necessary in furtherance of their duties.</p>	
<p>Explanation for departure :</p>		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual directors and managements; and issues and decisions reserved for the Board.</p> <p>The Board will periodically review the Board Charter and make any changes whenever necessary. The Board Charter is available on the Company's website, www.shcm.com.my. The Board Charter was reviewed and adopted.</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

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 formalised a Code of Ethics and Conduct that set out the basic principles to guide all the directors, employees and its subsidiary and associate companies. The Board shall observe and adhere to the Company's Code of Ethics and Conduct for Directors which provide guidance regarding ethical and behavioral considerations or actions in discharging their duties and responsibilities.</p> <p>The Board will periodically review the Code of Ethics and Conduct to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website, www.shcm.com.my. The Code of Ethics and Conduct was reviewed and adopted.</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

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 put in place an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.</p> <p>The details of the whistle-blowing policy are available for reference at the Company's website, www.shcm.com.my. The whistle-blowing policy was reviewed and adopted.</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

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	:	Applied
Explanation on application of the practice	:	<p>The Board consists of five (5) members; comprising one (1) Managing Director, three (3) Independent Non-Executive Directors and one (1) Alternate Director. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and half of the Board comprises of the Independent Directors which is in compliance with the MCCG 2017.</p> <p>The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring the Board's effectiveness and conduct, monitoring the monthly result so as to ensure it meets the budget and goals. The Managing Director is responsible for the day-to-day management of the business as well as the implementation of the Board's policies and decisions.</p> <p>The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls and provide unbiased and independent views to safeguard the interest of the shareholders. Together with the Executive Directors who have in-depth knowledge of the business, the Board constitutes of individuals who are committed to business coupled with integrity and professionalism in all its activities.</p> <p>Mak Hon Weng is the Chairman of the Board whilst the Managing Director is Dato' Choo Keng Weng.</p> <p>The Board considers that the current size of the Board is adequate and facilitates effective decision- making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.</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

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 - Two Tier Voting
Explanation on application of the practice	<p>The Board noted the MCCG 2017 recommends that the tenure of an independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such Director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.</p> <p>Presently, Thomas Tuan Kit Kwong and YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as Independent Non-Executive Directors of the Company whose tenure have exceeded a cumulative term of more than nine (9) years and twelve (12) years respectively.</p> <p>Thomas Tuan Kit Kwong and YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI who have served on the Board as Independent Non-Executive Directors of the Company to be retained as Independent Non-Executive Directors of the Company were deliberated at the Nomination Committee Meeting that was held on 20 February 2020. The Nomination Committee members were satisfied that Thomas Tuan Kit Kwong and YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI maintains their independency despite their long service extended to the Company and recommended to the Board to seek for shareholders' approval at the forthcoming Fifty-Eighth Annual General Meeting ("58th AGM").</p> <p>The re-election of Thomas Tuan Kit Kwong and YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as Independent Non-Executive Directors at the forthcoming 58th AGM will be subject to annual shareholders' approval. Pursuant to the MCCG 2017, the Company would apply two-tier voting process in seeking shareholders' approval to retain YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as an Independent Non-Executive Director of the Company.</p> <p>The Board believes that although Thomas Tuan Kit Kwong and YBM</p>

	<p>Tunku Mahmood Bin Tunku Mohammed D.K. PSI have served more than nine (9) years and twelve (12) years on the Board, they remain unbiased, objective and independent in expressing their opinions and in participating in decision making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their role as members of the Board and Committees. The Board had obtained the shareholders' approval at the previous Annual General Meeting to retain YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as an Independent Non-Executive Director of the Company, and will be doing the same in the forthcoming 58th AGM. Accordingly, the Board is making a recommendation to shareholders for approval at the forthcoming 58th AGM of the Company that Thomas Tuan Kit Kwong and YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI remain as Independent Non-Executive Directors.</p>	
<p>Explanation for departure</p>	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</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 4.3 - 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	:	<p>The Independent Directors uphold their independency despite serving more than nine (9) years in the Board.</p> <p>They would not compromise in the quality and fair decision-making in all Board deliberation.</p> <p>They gave constructive input and confront the senior key management on those rationale for any proposals tabled to the Board for deliberation.</p>

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>The Board appoints its members through a formal and transparent selection process, which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee (“NC”). The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.</p> <p>The appointment process of a new Director is summarized as follows:</p> <ul style="list-style-type: none"> (i) The candidate identified upon the recommendations from the Directors and Management or their contacts in related industries, finance accounting or legal professions and/or major shareholders; (ii) In evaluating the suitability of candidates to the Board, the NC considers, inter-alia, the required mix of skills, expertise, experience, time commitment and contribution of the candidates can bring to the Board. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate’s independency will be considered; (iii) Recommendation to be made by NC to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and (iv) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees. <p>The appointment of new board members and senior management will be guided by the skills, competencies, knowledge, experience, commitment and integrity of the candidate.</p>
Explanation for departure	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>		
Measure	:	

Timeframe	:		
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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	:	Not Adopted	
Explanation on application of the practice	:	<p>The Board does not establish any diversity policy for the Board and workforce in terms of gender, age and ethnicity or setting any target as it is of the view that appointment of directors and employees should be based strictly on merits and not driven by any nationality, racial, age or gender bias. Though there is no formal gender diversity policy, the Board currently has one (1) female Key Senior Management which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017.</p> <p>The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates’ competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.</p> <p>The Group gives an equal opportunity to all its employees and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.</p>	
Explanation for departure	:		
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</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	:	Applied	
Explanation on application of the practice	:	The Board considers that the current size of the Board is adequate and facilitates effective decision- making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.	
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

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”) of the Company comprises exclusively Independent Non-Executive Directors and its composition are as follows: <ul style="list-style-type: none">• Mr. Mak Hon Weng (Chairman, Independent Non-Executive Director)• YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI (Member, Independent Non-Executive Director)• Mr. Thomas Tuan Kit Kwong (Member, Independent Non-Executive Director)
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

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 Company conducts an annual assessment to evaluate the effectiveness of the board and the Board Committees as well as the performance of each individual Director through the Nomination Committee (“NC”).</p> <p>The NC held one (1) meeting during the financial year ended 31 December 2019. The details of the terms of reference of NC are available for reference at the Company’s website, www.shcm.com.my.</p> <p>The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide–Towards Boardroom Excellence. The Audit Committee and the Remuneration Committee each carried out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 20 February 2020 and was satisfied with the performance of the Board and Board Committees as well as the performance of individual Directors.</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	:		
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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 Company has the remuneration comparison on the level of directors and senior management remuneration of similar size and industry to retain its key senior management.</p> <p>The Remuneration Committee reviews the Group financial performance and consult the Group Managing Director who is the key personnel in the business management who knows the industry well, has knowledge and is aware of the prevailing market pay for its staff and Directors.</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

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>The Remuneration Committee ("RC") of the Company comprises all Independent Non-Executive Directors and its composition is as follows:</p> <ul style="list-style-type: none">• YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI (Chairman, Independent Non-Executive Director)• Mr. Thomas Tuan Kit Kwong (Member, Independent Non-Executive Director)• Mr. Mak Hon Weng (Member, Independent Non-Executive Director) <p>The RC held one (1) meeting during the financial year to carry out its function as stated within the terms of reference. The details of the terms of reference of RC are available for reference at the Company's website, www.shcm.com.my.</p> <p>The primary function of the RC is to set up and review the policy of remuneration framework and recommend to the Board the remuneration packages of all the Directors according to the skills, level of responsibilities, experience and performance of the Directors.</p> <p>The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC reviews the Board remuneration policy and terms of conditions of service of each Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long-term objectives and the overall financial performance of the Group.</p> <p>The RC is also responsible to review the remuneration packages of the Non- Executive Directors of the Company and thereafter recommend to the Board for their consideration. Non-Executive Directors are paid by way of fixed monthly fees and a meeting allowance for each meeting attended. Individual Director is not allowed to participate in discussion of his/her own remuneration.</p>

	The Board will then recommend the Directors' fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230 (1) of the Companies Act, 2016.	
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

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>The Company opines that it has applied on below grounds :-</p> <p>The Company has disclosed on named basis the Company's Directors (at Company and at Group level) under the Statement of Corporate Governance of the Annual Report.</p> <p>Further disclosures were made on the components of remuneration paid or payable to the Directors of the Company and of the Group categorised into salaries and bonus, fees, other emoluments (consist of benefits-in-kind, other allowance, statutory contributions) and further segregated between Executive and Non-Executive Directors.</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

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>The Board is of the view that disclosure on a named basis of the top five (5) Key Senior Management's remuneration components in bands of RM50,000 as being disadvantageous to the Group given the competitiveness in our industry for talent and confidentiality of remuneration packages. The Board will continuously undertake a robust internal process to ensure that the remuneration of Key Senior Management is competitive and fair.</p> <p>The remuneration of top five Senior Management personnel received in financial year ended 31 December 2019 in bands of RM50,000 are set out as below:</p> <table border="1" data-bbox="443 1173 1393 1397"> <thead> <tr> <th>Total Remuneration* in Bands of RM50,000</th> <th>Number of Key Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM150,001 to RM200,000</td> <td>2</td> </tr> <tr> <td>RM450,001 to RM500,000</td> <td>2</td> </tr> <tr> <td>RM600,001 to RM650,000</td> <td>1</td> </tr> </tbody> </table> <p>Notes: * Total remuneration consists of salary, allowances, bonus, other benefits and inclusive of statutory contribution (EPF, SOCSO and EIS).</p>		Total Remuneration* in Bands of RM50,000	Number of Key Senior Management	RM150,001 to RM200,000	2	RM450,001 to RM500,000	2	RM600,001 to RM650,000	1
Total Remuneration* in Bands of RM50,000	Number of Key Senior Management									
RM150,001 to RM200,000	2									
RM450,001 to RM500,000	2									
RM600,001 to RM650,000	1									
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 7.3 - 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	:	The Company had disclosed its senior management's remuneration component in bands width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.

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 Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit Committee ("AC") to oversee the Group's financial reporting processes and the quality of its financial reporting.</p> <p>The AC comprises of all Independent Directors, The composition of the Committee is as follows :-</p> <ul style="list-style-type: none">• Mr. Thomas Tuan Kit Kwong (Chairman, Independent Non-Executive Director)• YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI (Member, Independent Non-Executive Director)• Mr. Mak Hon Weng (Member, Independent Non-Executive Director) <p>The details of the terms of reference of the AC are available for reference at the Company's website, www.shcm.com.my.</p> <p>The Chairman of AC is not the Chairman of the Board.</p> <p>Annually, the composition of AC is reviewed by NC and recommended to the Board for its approval. The NC in maintaining an independent and effective AC, will ensure that only an Independent Non-Executive Director who is financially literate, has the relevant expertise and experience, and the strong understanding of the Company's business would be considered for appointment on AC. All the AC members will continue to attend training to keep themselves abreast of recent developments in accounting and auditing standards, practices and rules.</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 Outcome7

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”) comprises 3 members, all whom are Independent Non-Executive Directors.</p> <p>At present, none of the present AC members is a former key audit partner of the Company’s external auditors within the last two years.</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 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 assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.</p> <p>The External Auditors, in supporting their independence, will provide the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors have provided such declaration in their annual audit plan presented to the Audit Committee of the Company during the financial year.</p> <p>The External Auditors of the Company fulfill an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.</p> <p>The External Auditors have an obligation to bring to the attention of the Board of Directors, the Audit Committee and Company management any significant defects in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.</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	:		
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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	:	Adopted
Explanation on adoption of the practice	:	<p>The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.</p> <p>The Audit Committee comprises of all Independent Directors, The composition of the Committee is as follows :-</p> <ul style="list-style-type: none">• Mr. Thomas Tuan Kit Kwong (Chairman, Independent Non-Executive Director)• YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI (Member, Independent Non-Executive Director)• Mr. Mak Hon Weng (Member, Independent Non-Executive Director) <p>The Chairman of the AC, Mr Thomas Tuan Kit Kwong is not the Chairman of the Board and members of the AC comprise of only Independent Non-Executive Directors.</p> <p>The details of the terms of reference of the AC are available for reference at the Company's website, www.shcm.com.my.</p>

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	:	The members of Audit Committee (“AC”) collectively possess the necessary skills and knowledge to discharge their duties and are financially literate. The profiles of the AC members are provided in the Annual Report. The Chairman of AC is a Chartered Accountant.
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

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 ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.</p> <p>The Audit Committee is headed by an Independent Director and members of key management team of the respective division. The primary responsibility and purpose of the Audit Committee is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The Audit Committee reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group's Business Unit.</p> <p>The key features of the Audit Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 36 to 37 of this Annual Report.</p> <p>The internal audit function is to outsourced to a professional firm who reports directly to the Audit Committee.</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

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	:	<p>The key features of the Audit Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 36 to 37 of this Annual Report.</p> <p>The Statement on Risk Management and Internal Control furnished on page 36 to 37 of the Annual Report provides an overview on the state of internal controls within the Group, in an effort to manage risk.</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

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	:	<p>Currently, the Board is assisted by the Audit Committee ("AC") in fulfilling the oversight responsibilities of reviewing the control systems in general and assessing the adequacy and effectiveness of the risk management and internal control practices conducted by the Management.</p> <p>The AC, with the assistance of the Management, reviews and recommends for the Board's approval matters related to risk management within the Group.</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 Group has outsourced its internal audit function to Messrs Baker Tilly Monteiro Heng Governance Sdn. Bhd., a professional company specializing in providing accountancy, business and financial advisory services to multinational organisations.</p> <p>During the financial year ended 31 December 2019 the Internal Auditors have carried out audits to assess the adequacy of the internal controls of the main operating subsidiaries, based on the audit plan approved by the Audit Committee. The Internal Auditors reported their findings and recommendations to the Audit Committee for deliberations together with the Management. Where areas of improvements were required, it was highlighted to the Management for implementation. The Audit Committee monitored the progress of the implementation.</p> <p>The detail of internal audit functions during the period under review is stated in the Statement on Risk Management and Internal Control of this Annual Report.</p> <p>During the period under review, the Internal Auditors carried out the following activities:</p> <ul style="list-style-type: none"> a) Presented and obtained approval from the Audit Committee the annual internal audit plan, its audit strategy and scope of audit work; b) Performed audits according to the annual internal audit plan, to review the adequacy and effectiveness of the internal control system, compliance with policies and procedures and reported ineffective and inadequate controls and made recommendations to improve their effectiveness; and c) Performed follow-up reviews in assessing the progress of the agreed management's action plans and report to the management and Audit Committee.
Explanation for departure	:	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</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 outsourced its internal audit function to Messrs Baker Tilly Monteiro Heng Governance Sdn. Bhd., a professional company specializing in providing accountancy, business and financial advisory services to multinational organisations. The Internal Auditors were engaged with various Head of Division to conduct the entrepreneur risk management, to mete to risks appetites with the internal control and control plan. The Internal Auditors regularly reviews and appraisals on the effectiveness of the internal control system, governance and risk management within the Company and the Group.</p> <p>The AC assess the independence of the internal auditors and review their internal audit plan and framework every year to ensure the internal audit function is carried out as per the internal audit plan.</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 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 believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognizes the importance of timely dissemination of information to shareholders.</p> <p>In addition to shareholders participation at general meetings, the Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Independent Director, YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI at the contact details set out in the corporate information section of this Annual Report.</p> <p>The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear and complete information of the Company's financial performance, major developments and position as possible. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results and corporate website.</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 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	:	<p>The Company has disclosed its Group financial performance and respective division's revenue. They also included the last 5 years financial performance and analysis.</p> <p>Besides that, the Company also included the sustainability statement in regard to the environment and social responsibility.</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

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company gives 21 days' notice prior to the AGM and is in compliance with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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 Board members and Senior Management are aware of their duty to attend all General Meetings of the Company. Barring unforeseen circumstances, all Board members will attend all General Meetings of the Company.</p> <p>At the last AGM convened on 27 May 2019, all Directors were in attendance.</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

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’s General Meetings have always been held in reasonably convenient locations which are easily accessible by its shareholders.</p> <p>To facilitate Shareholders participation and in the event they are not able to attend, shareholders are entitled to appoint representatives or proxy/ proxies to participate in general meetings and to vote on their behalf in their absence.</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	:		

**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.

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