

## OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

The Board is supportive of the adoption of principles and best practices as enshrined in the Malaysian Code on Corporate Governance throughout the Group, for the protection and enhancement of stakeholders' value and the performance of the Group.

The Board is pleased to disclose below the manners in which it has applied the principles of good corporate governance and considered that it had complied with the best practices provisions except as stated otherwise.

### (A) BOARD LEADERSHIP AND EFFECTIVENESS

#### Composition of the Board

The Board currently consists of five Directors: -

#### Chairman

Mr Eddy Chieng Ing Huong  
(Non-Independent Non-Executive)

#### Managing Director

Ms Teh Lip Kim  
(Non-Independent Executive)

#### Directors

Dato' Christopher Chan Choun Sien  
(Independent Non-Executive)

Ms Teh Lip Pink  
(Non-Independent Non-Executive)

Puan Selma Enolil binti Mustapha Khalil  
(Independent Non-Executive)

The present size and composition of the Board is optimum and well balanced. As presently constituted, the Board has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

Profile of the Board members is as set out on pages 12 to 16 of this Annual Report.

#### Principal Responsibility of the Board

The Board is entrusted with the stewardship role of the Group. It is responsible for providing oversight of the Group's strategic direction, overseeing the Group's business operations, as well as identifying key risk factors that have significant impact on the Group's operations and performance. In achieving these goals, the Board performs regular reviews over the risk management and internal control system to ensure its integrity and adequacy in providing reasonable assurance of risk mitigation.

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The principal responsibilities of the Board are generally summarised as follows:

- review and adopt the overall strategic plans and programmes for the Company and Group;
- establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities;
- ensure the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility;
- promote better investor relations and shareholder communications;
- review the adequacy and the integrity of the management information and internal controls systems of the Company and Group; and
- identify principal risks and ensure implementation of a proper risk management system to manage such risks.

### **Board Independence and Effectiveness**

The Board is entrusted for the oversight and overall management of the business affairs of the Company. The Board is responsible for determining all major policies, reviewing the system of internal control, ensuring that effective strategies and management are in place, for assessing the performance of the Company and its management team.

The Board has established clear functions reserved for the Board and those delegated to the management. The Board deliberates business plan and approves the performance targets and the goals of the business to be met by the Company and subsidiary companies.

Managing Director is responsible for the day-to-day business operations of the Group while the Independent Non-Executive Directors provide scrutiny and unbiased and independent views, advice and judgement to decisions and proposals of the Managing Director. The Board collectively is responsible for the effective implementation and monitoring of the Group's strategic plans.

The Independent Non-Executive Directors do not involve in the day-to-day management of the Group's business operations. Therefore, the Independent Non-Executive Directors remain free from conflict of interest and thus enable them to carry out their duties as independent directors effectively. They provide impartial views and insight to the Managing Director in matters relating to financial management, corporate governance, risk management and internal control. Strategies proposed by the Managing Director are deliberated from both quantitative and qualitative aspects, taking into account the interest of various stakeholders as well as the impact of risk factors that exist in the operating environment. Presence of the Independent Directors complements the Board by ensuring there is an effective check and balance in the functioning of the Board. These Independent Directors fulfil the criteria of independence as set out in the Listing Requirements.

The position of Chairman and the Managing Director are held by different individuals. There is a division of responsibility between the Chairman who is leading the Board in the oversight of management and Managing Director, who responsible for managing the overall business and day to day operations of the Company to ensure that there is a balance of power and authority, promotion of accountability and facilitation of division of responsibilities between them.

The key duties and responsibilities of the Chairman are to provide leadership to the Board, instill good corporate governance practices, chairing the meetings of the Board and shareholders, ensuring that the Board fully discharges its responsibilities and acting as liaison person between the Board and the management.

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### Board Charter and Code of Conduct

The Board has formally adopted a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance. The Board Charter provides guidance for Directors and Management on the responsibilities of the Boards, its Committees and requirements of Directors and it is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The Board Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors and it is subject to periodical review and updated in accordance with the needs of the Company to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions as recommended by the Code including those reserved for the Board's approval and those which the Board may delegate to the Board Committees, the Executive Director and the Management. There is a clear division of responsibilities between the Chairman and the Executive Director.

The Board is also committed to conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Code of Conduct and Ethics provide guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during their appointment.

The Board Charter and Code of Conduct are made available for reference in the Company's website, [www.sdb.com.my](http://www.sdb.com.my).

### Qualified and Competent Company Secretaries

The Board is well supported by qualified and competent Company Secretaries on matters relating to the Company's policies and procedures that require compliance to applicable rules, regulations and the Code.

The Company Secretaries of the Company are experienced, play an important role in advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries. The Board is regularly kept up to date on and apprised of any regulations and guidelines.

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded.

### Board Meeting and Supply of Information to the Board

The Board meets regularly, at least once in every quarter, to review the Group's operations and to approve the quarterly reports and annual financial statements. During the financial year, the Board met on four (4) occasions where it deliberated upon and considered a variety of matters mainly to review the Group's operations and the quarterly and annual financial statements.

The details of the attendance by individual Director during the financial year are as follows:-

| Name of Directors   | Total Meetings Attended |
|---|-------------------------|
| Mr Eddy Chieng Ing Huong  | 4/4                     |
| Ms Teh Lip Kim  | 4/4                     |
| Ms Teh Lip Pink   | 4/4                     |
| Puan Selma Enolil binti Mustapha Khalil                         | 4/4                     |
| Dato' Christopher Chan Choun Sien (appointed w.e.f. 13.07.2020) | 3/4                     |
| Mr Tony Lee Cheow Fui (resigned w.e.f. 13.7.2020)               | 1/4                     |

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The Board has a formal schedule of matters reserved specifically for its decision. The Directors have full and timely access to all information pertaining to the Group's business and affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

All Directors are provided with agenda and set of Board papers issued prior to Board meetings to allow reasonable time for the Board members to obtain further explanations or clarification, where necessary and to make an informed decision. Senior management is invited to attend these meetings to explain and clarify matters being tabled. The Board has direct access to senior management staff to obtain complete and unimpeded information to assist them in discharging their duties. The proceedings of all board meetings are recorded by the Company Secretary and filed properly in the minute's book of the Company upon confirmation by the Board.

In addition, all Directors have access to the advice and services of the Company Secretary who is a qualified professional with the required experience to advise the Board. When necessary, Directors may also obtain independent professional advice at the Company's expense in furtherance of their duties.

### **Directors' Training**

The Board recognises the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director is assessed and proposed by the individual directors.

The Board is also regularly updated by the Company Secretary on the latest updates and major amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016 and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

During the financial year and as at the date of the issuance of this Annual Report, the Directors have attended briefing pertaining to the findings of the thematic review and key takeaways conducted by Bursa Malaysia Berhad and Institute of Internal Auditors Malaysia by Mr Chang Ming Chew, the Representative of NGL Tricor Governance Sdn. Bhd (now known as Tricor Axcelasia Sdn Bhd) on 23 November 2020.

### **Board Committees**

The Board has set up five Board Committees, i.e. Investment, Audit, Nominating, Remuneration Committees and Risk Management and Sustainability Committee to delegate specific powers and responsibilities to support the role of the Board to provide assurance and accountability to its shareholders, all of which have their own terms of reference.

The Committees have been granted with full authority to investigate any matter within their scope of responsibility and to obtain satisfactory information as it may requires from directors and/or employees of the Group. In the event where independent professional advice are needed to discharge their duties, the Committees are entitled to engage external professionals and/or consultants at the cost of the Group after due consultation with the Board.

The Investment Committee was established on 23 August 2001 with the responsibilities of approving Group acquisition and disposals of investment up to RM15 million and manage risk of the Group in order to maximise return to the shareholders.

### **Nominating Committee**

The Nominating Committee was established to ensure that the Board has an appropriate balance, size and the required mix of skills, experience and core competencies to govern the organization towards achieving its intended goals and objectives. The Nominating Committee shall propose new candidates for the Board and assess Directors on an on-going basis.

The Terms of Reference of the Nominating Committee can be viewed at the Company's website at [www.sdb.com.my](http://www.sdb.com.my).

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The summary functions of the Nominating Committee are as follows:

- To recommend candidates for all directorships.
- To recommend appointments to the Board Committees.
- To annually review the required mix of skills and experience and other qualities, including core competencies that the Non-Executive Directors should bring to the Board.
- To implement a process, to be carried out annually for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director.

The Nominating Committee will review and assess the mix of skills expertise, composition, size and experience of the Board directors. The Nomination Committee undertakes annual assessment to evaluate the performance of each individual Director, the effectiveness of the Board and the Board Committees. The effectiveness of the Board and Board Committees are assessed in the areas of board structure/mix, decision making and boardroom participation and activities, meeting administration and conducts, skill and competencies and role and responsibilities whilst the performance of the individual Directors are assessed in the areas of contribution and interaction with peer, quality of the input of the Director, understanding of role, etc.

During the financial year, the Nominating Committee has reviewed the necessity for the Company to re-organise the composition of Board of Directors to ensure that the calibre, credibility and necessary skills and experience required were always in place to have an effective Board and enable the Board to be better equipped to respond to challenges that might arise and deliver value to the Company.

The Nominating Committee considers that the current mix of skills and experience of the Board are sufficient for the discharge of its duties and responsibilities effectively.

### **Board Nomination Process**

The Nomination Committee is responsible to identify candidate to the Board if there is vacancy arise from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board in order to close the competency gap in the Board identified by the Committee. The potential candidate may be proposed by existing director, senior management staff, shareholder or third party referrals.

Upon receiving of the proposal, the Committee is responsible to conduct assessment and evaluation on the proposed candidate.

The Board does not set specific criteria for the assessment and selection of director candidate. However, the consideration would be taken on the need to meet the regulatory requirement such as Companies Act, 2016 and Main Market Listing Requirements. The Committee selection of the director candidate is generally based on the achievement in the candidate personal career, integrity, wisdom, ability to make independent and analytical inquiries, ability to work as a team to support the Board, possession of the required skill, qualification and expertise that would add further value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.

The assessment/evaluation process may include, at the Committee's discretion, reviewing of the candidate resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background searches as well as formal or informal interview at the Committee's discretion.

Upon completion of the assessment and evaluation of the proposed candidate, the Committee would make its recommendation to the Board. Based on the recommendation of the Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

The Chairman of the Board would then make an invitation or offer to the proposed/potential candidate to join the Board as a director. With the acceptance of the offer/invitation, the candidate would be appointed as director of the Company.

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### Annual Assessment of Existing Directors and Board Committees

An assessment of the Board's performance is carried out for the year under review, including the Independent Directors' performance and role of chairman.

The assessment criteria include of Board structure, operation and interaction, dynamics and functioning, governance and risk management.

The Board is satisfied with the existing number and composition of its members and is of the view that with the current mix of skills, knowledge, experience and strengths, the Board is able to discharge its duties and responsibilities effectively.

### Assessment of Independent Directors

The Company does not have term limits for Independent Directors as the Board believes there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and in-depth knowledge of the Company's business and affairs.

The existing independent directors are independent from management and free from any business or other relationships which may interfere with the exercise of their independent judgement, which is in line with the requirements of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### Re-election

In accordance with the Company's Constitution, all Directors shall retire from office at least once in each three years and a retiring Director is eligible for re-election and the election of each Director is voted on separately. This re-election process provides an opportunity for the shareholders to renew their mandates. In order to assist the shareholders in their decision, sufficient information such as personal profiles, meeting attendance and their shareholdings in the Company for each Director is furnished in the Annual Report.

The Constitution further provides that all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment.

### Gender Diversity Policy

The Company does not have a formal ethnic and age diversity policy. In its selection of board members, the Board provides equal opportunity to candidates who have the relevant skills, experience, competencies and other qualities vis-à-vis the Group present business portfolios and prospective investments, without bias on race, age or gender.

### Activities of the Nominating Committee

The summary of the activities of the Nominating Committee during the financial year are as follows:-

- Reviewed the mix of skill and experience and other qualities of the Board.
- Accessed the effectiveness of the Board as a whole, the Board committees and the Directors.
- Discussed the Company's Directors' retirement by rotation.

### Remuneration Committee

The Remuneration Committee was established on 23 August 2001 and is entrusted with the role of reviewing and recommending the annual bonus and salary increment of the Executive Directors and members of the Senior Management of the Company. Executive Directors' remuneration is decided by the Board with the Directors concerned abstaining from deliberations and voting accordingly.

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### Remuneration Policy

The remuneration of the Executive Director shall be reviewed by the Remuneration Committee and for their recommendation to the Board for approval.

Executive Director shall also be entitled to other benefits provided to employee of the Company and other additional benefits if so proposed by the Remuneration Committee for their consideration and recommendation to the Board for approval.

Non-Executive Directors' remuneration is based on a standard fixed fee and meeting allowance, with the Chairman receiving higher amount in recognition of his additional responsibilities. An additional fee is also paid to Non-Executive Directors sitting on Board Committees.

Fees payable to the Directors of the Company are subject to yearly approval by shareholders at the Annual General Meeting. The aggregate Director's remuneration paid or payable to the Directors of the Company for the financial year ended 31 March 2021 is as follows:

### Received on Company Basis

|                                   | <b>Directors' Fee<br/>RM</b> | <b>Meeting<br/>Allowances<br/>RM</b> | <b>Salaries &amp; Other<br/>Emoluments<br/>RM</b> | <b>Benefit-in-Kind<br/>RM</b> |
|-----------------------------------|------------------------------|--------------------------------------|---|-------------------------------|
| Eddy Chieng Ing Huong             | 70,400                       | 2,000                                | -   | -                             |
| Teh Lip Kim                       | 32,000                       | -                                    | 322,883   | -                             |
| Teh Lip Pink                      | 32,000                       | 2,000                                | -   | -                             |
| Tony Lee Cheow Fui                | 13,067                       | 500                                  | -   | -                             |
| Selma Enolil Bt Mustapha Khalil   | 38,400                       | 2,000                                | -   | -                             |
| Dato' Christopher Chan Choun Sien | 31,733                       | 1,500                                | -   | -                             |

### Received on Group Basis

|                                   | <b>Directors' Fee<br/>RM</b> | <b>Meeting<br/>Allowances<br/>RM</b> | <b>Salaries &amp; Other<br/>Emoluments<br/>RM</b> | <b>Benefit-in-Kind<br/>RM</b> |
|-----------------------------------|------------------------------|--------------------------------------|---|-------------------------------|
| Eddy Chieng Ing Huong             | 74,400                       | 2,000                                | -   | -                             |
| Teh Lip Kim                       | 72,662                       | -                                    | 645,766   | -                             |
| Teh Lip Pink                      | 36,000                       | 2,000                                | -   | -                             |
| Tony Lee Cheow Fui                | 13,067                       | 500                                  | -   | -                             |
| Selma Enolil Bt Mustapha Khalil   | 38,400                       | 2,000                                | -   | -                             |
| Dato' Christopher Chan Choun Sien | 31,733                       | 1,500                                | -   | -                             |

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The remuneration of the top five key senior management of the Company for the financial year ended 31 March 2021 as follows:-

| Key Senior Management Remuneration | Number |
|------------------------------------|--------|
| RM400,000-450,000                  | 1      |
| RM300,000-350,000                  | 1      |
| RM250,000-300,000                  | 3      |

Further details on the other Board Committees are contained in the Audit Committee Report and the Statement on Risk Management and Internal Control.

### Financial Reporting

The Board has a general responsibility for taking the necessary steps to safeguard and enhance the value of shareholders in the Company. The Company, through the accounts, maintains an appropriate and transparent relationship with the external auditors.

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance through the quarterly and annual financial statements to shareholders. The Board and the Audit Committee have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable approved accounting standards in Malaysia.

In presenting the financial statements, the Board has reviewed and ensured that appropriate accounting policies have been used, consistently applied and supported by reasonable judgements and estimates.

In discharging its responsibilities, the Board is assisted by the Audit Committee to ensure accuracy and adequacy of information to be disclosed.

### Succession Planning

The Board reckoned the importance of succession planning to ensure the sustainability and continuity of the Group. The Board ensuring that all candidates appointed to senior management positions are of sufficient caliber. Succession planning also includes appointing, assessing, training, fixing the compensation of and where appropriate, replacing senior management when necessary.

### Whistleblowing Policy and Procedure

A Whistleblowing Policy and Procedure has been implemented to provide a channel to enable Directors, Employees, Shareholders, Vendors or any parties with a business relationship with the Company with an avenue to report suspected wrongdoings that may adversely impact the Group.

The Whistleblowing Policy and Procedure is published on the Company's website.

### Anti-Bribery and Anti-Corruption Policy

An Anti-Bribery and Anti-Corruption Policy was established to set out the Group's approach against all forms of bribery, corruption and politicking and the Group takes a strong stance against such acts.

The Group's practices are in accordance to the Malaysian Anti-Corruption Commission Act 2009 and its amendments. The Antibribery and Corruption Policy is published on the Company's website.



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### **(B) EFFECTIVE AUDIT AND RISK MANAGEMENT**

#### **Audit**

The role, functions, responsibilities and activities of the Audit Committee are reported under the Audit Committee Report on page 55 of this Annual Report.

#### **Relationship with External Auditors and Assessment of their Suitability & Independence**

The Company has established a formal and transparent arrangement for maintaining appropriate relationships with the Group's auditors, both external and internal. The Audit Committee seeks regular assurance on the effectiveness of the internal control systems through independent appraisal by the auditors. Liaison and unrestricted communication exist between the Audit Committee and the external auditors.

In addition, the external auditors will be invited to attend the Company's Annual General Meeting and will be available to answer any questions from the shareholders on the conduct of the statutory audit and the contents of the audited financial statements as well as any corporate exercise undertaken by the Group where the external auditors are involved.

The Audit Committee had obtained confirmation from the external auditors, BDO PLT that they are independent in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

An annual assessment which taking into consideration of several criteria like Fees, Service quality, Sufficiency of resources, Independence and professionalism, will be conducted on the suitability of the External Auditors.

#### **Risk Management and Internal Control**

The Board recognises the importance of a sound system of internal control for the Group including risk assessment and acknowledges its ultimate responsibilities in maintaining the same. In recognition of the importance of having in place a structured and organised approach to identify and manage appropriately risk factors affecting the Company, a risk management and internal control framework has been established to set out principles of the Company's risk identification and management culture, which provide input of its internal control system.

Another check-and-balance measure in the Company's internal control system is through the conduct of internal audit. The internal audit function is outsourced to an independent professional internal audit services firm which reports directly to the Audit Committee.

Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the Management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statement. The Group's state of risk management and internal control is spelt out in the Statement on Risk Management and Internal Control on pages 46 to 51 of this Annual Report 2021.

The cost incurred for the internal audit function for the financial year ended 31 March 2021 is RM31,000.

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### (C) CORPORATE REPORTING AND RELATION WITH SHAREHOLDERS AND INVESTORS

#### Communication with Shareholders

Communication between the Company and its shareholders are done in the following manner:-

#### Relationship with Shareholders and Investors

The Board recognises the value of good investor relation and the importance of disseminating information in a fair and equitable manner, the participation of shareholders and investors, both individual and institutional, at Annual General Meeting is encouraged. Such information is disseminated via the Company's annual reports, quarterly financial results and various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

The Group also maintains a website at [www.sdb.com.my](http://www.sdb.com.my) which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

#### General Meeting

The Annual General Meeting represents the principal forum for dialogue and interaction with all the shareholders of the Company. The Company values feedback from its shareholders and encourages them to actively participate in discussion and deliberations.

The Company convened a virtual AGM last year and has adopted online remote voting for the conduct of poll on all resolutions. All shareholders were briefed on the voting procedures by the poll administrator prior to the poll voting and an independent scrutineer was appointed to validate the votes cast and announce the poll results. In the event that shareholders are unable to virtually attend the AGM in person, they are encouraged to appoint proxies to virtually attend and vote in his/her stead. The outcome of the meeting is announced to Bursa Securities on the same day, which is also accessible on the Company's website.

### (D) COMPLIANCE WITH THE CODE

This Statement is prepared in compliance with the Listing Requirements and it is to be read together with the Corporate Governance Report 2021 of the Company, which is available at website, [www.sdb.com.my](http://www.sdb.com.my).