

CORPORATE GOVERNANCE STATEMENT

1. INTRODUCTION

This Statement on Corporate Governance has been established by the Board of Directors (“Board”) of Serba Dinamik Holdings Berhad (“Group”), and is intended, in conjunction with the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and all applicable laws, to be a flexible framework within which the Board may conduct its business. The MCCG 2012 is specifically targeted for listed companies on Bursa Malaysia, and listed companies with Financial Year Ended (“FYE”) 2012 onwards will be required to report the extent of the adoption of the principles and recommendations of MCCG 2012 in their annual reports.

The Terms of Reference (“TOR”) of Board Committees are in line with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia as well as various other enhancements in the respective Board Committees responsibilities. The Board of the Group presents this statement to provide an insight into the Corporate Governance practices of the Group under the leadership of the Board. The Board believes that the current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern the Group effectively.

The Board is also committed in achieving and sustaining high standards of corporate governance. In regards to the above, the Board will use its best endeavor to comply with the MCCG 2012 and will provide a statement on the extent of compliance with the MCCG 2012 in our first annual report as a listed entity for the FYE2016.

2. BOARD OF DIRECTORS

a) Board Size and Composition

The Board currently comprises 7 Members. The Board size is conducive to decision making and is appropriate given the size of the Group’s operations. The composition of the Board remains adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of executive, independent and non-independent directors.

The 7 Members of the Board are persons of high calibre and integrity, and they have a sound understanding of the Group’s business as well as deep industry expertise. They possess the skills, knowledge, experience and competencies to address key risks and major issues relating to the Group’s business and its policies and strategies. The Board are comprises of 2 Executive Directors and 5 Non-Executive Directors.

Please find details of the Directors in Director’s Profile in this Annual Report.

b) Board Balance and Independence

The Board comprises 2 Executive Directors and a strong presence of 5 Non-Executive Directors, whereby more than half of the Board Members are Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

The 4 Independent Non-Executive Directors are not employees and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Non-Executive Directors’ judgement. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Group’s business and the reporting of quarterly business performances.

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2. BOARD OF DIRECTORS (CONT'D)

c) Board Duties and Responsibilities

The principal responsibilities of the Board are as follows:

- **Reviewing and adopting a strategic plan**

The role of the Board is to review, challenge and approved management's proposal on a strategic plan of the Group, which include overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan.

- **Overseeing the conduct of the business**

A basis function of the Board is to oversee conduct of the business and performance of management in order to determine whether the business is being properly managed.

- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Board must understand the principal risks of all aspects of the Group's business and ensure that there are systems in place which effectively monitor and manage these risks.

- **Succession Planning**

The Board should ensure that all candidates appointed to senior management positions are sufficient caliber and shall be responsible on appointing, training, fixing the remuneration of, and where appropriate, replacing key management;

- **Overseeing the development & implementation of a shareholder communications policy**

The responsibility of the Board is to ensure that the Group has in place a policy to enable effective communication with its shareholders and other stakeholders.

- **Reviewing adequacy and integrity of the management information and internal controls system**

The Board has to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.

d) Board Charter

The Board Charter sets out the roles, responsibilities and functions of the Board in accordance with the standards, practices and principles of good corporate governance stated in the policy documents and guidelines issued by MCCG 2012, MMLR and relevant regulatory authorities. The Board Charter is available on its corporate website.

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2. BOARD OF DIRECTORS (CONT'D)

e) Board Meetings and Access to Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and ensure their full attendance at Board meetings. The Board holds regular meetings on a quarterly basis.

Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Audit & Risk Committee ("ARC"), Nomination & Remuneration Committee ("NRC") and Investment Committee ("IC") through minutes of these committees. The Board Members deliberate, and in the process, assess the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on the Group's business or on its financial position, and the mitigating factors.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least 7 days before the Board meeting. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board meeting. There is a process in place for Non-Executive Directors to seek clarifications or obtain details concerning the Board agenda papers from the Management or the Company Secretary or if they deem necessary to take independent professional advice at the Company's expenses.

Confidential papers or urgent proposals are presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant depiction of the issues at hand, in order that the Board deliberations and decision-making are performed systematically and in a well-informed manner. The Board meeting papers contain information in a form and of a quality appropriate to enable the Board to discharge its duties effectively.

The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation and upon receiving confirmation from all the Members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting. The Group Chief Financial Officer also attends Board meetings by invitation to update the Board on financial guidelines and to brief the Board on matters relating to the finance portfolio.

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2. BOARD OF DIRECTORS (CONT'D)

e) Board Meetings and Access to Information (Cont'd)

The Board is satisfied that each Director has committed sufficient time to the Group as evident from the Directors' record of attendance at Board meetings held in the financial period ended 31 December 2016, as reflected below:

Name of Director	Number of Board Meetings Attended
Dato' Mohamed Nor Abu Bakar <i>Chairman/ Independent Non-Executive Director</i>	4/4
Dato' Dr. Ir. Hj. Mohd Abdul Karim Abdullah <i>Non- Independent Executive Director/ Group Chief Executive Director</i>	4/4
Tuan Hj. Abdul Kadier Sahib <i>Non-Independent Non-Executive Director</i>	4/4
Dato' Awang Daud Awang Putera <i>Non-Independent Executive Director</i>	4/4
Sharifah Irina Syed Ahmad Radzi <i>Independent Non-Executive Director</i>	3/4
Tengku Dato' Seri Hasmuddin Tengku Othman <i>Independent Non-Executive Director</i>	4/4
Hasman Yusri Yusoff <i>Independent Non-Executive Director</i>	1/1

f) Company Secretary

The Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and apprised by the Company Secretary who is experienced, competent and knowledgeable on new statutes and directives issued by the regulatory authorities. The Company Secretary gives clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities.

The Company Secretary briefs the Board on proposed contents and timing of material announcements to be made to Bursa Malaysia. The Company Secretary also serves notices to the Directors and Principal Officers on the closed periods for trading in Group's shares, in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of MMLR.

The Company Secretary attends all Board meetings and ensures that accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management. The appointment and removal of the Company Secretary must be approved by the Board.

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2. BOARD OF DIRECTORS (CONT'D)

g) Directors' Training

The Directors had kept up-to-date with market developments and related issues through Board discussion meetings with the Group Chief Executive Officers, Group Chief Financial Officer and other Senior Management Officers. Effective from FY2017 in respect to listing of the Group in Bursa Malaysia, the Company Secretary and the Management undertake the role as the coordinator to manage and coordinate the Directors' training requirements.

Directors may request that training programs on specific subjects be arranged in order to facilitate them to discharge their duties effectively. The Company Secretary of Board and its Sub-Committee regularly update and apprise the Directors on new statutes, policy documents and guidelines issued by the regulatory authorities, and the requirements to be observed by the Company and Directors thereupon. The NRC conducts annual review of training attended by the Directors during each financial year.

h) Directors' Fees & Benefits

The NRC recommends the level and structure of Directors' fees & benefits for services on the Board effective from FY2017. In making its recommendation, the NRC considers the responsibilities of the Directors.

3. COMMITTEES ESTABLISHED BY THE BOARD

The Board has established a number of Board Committees whose compositions and terms of reference are in accordance with the Corporate Governance and the MMLR, and consistent with the recommendations of the MCCG 2012. Common memberships in Board Committees such as the ARC, NRC and IC, facilitate a holistic overview of the risk and control functions under the oversight of these Committees. The functions and terms of reference of Board Committees and Management Executive Committee, as well as authority delegated by the Board to these Committees, are reviewed from time to time to ensure that they remain relevant and are up-to-date.

a) Audit & Risk Committee ("ARC")

Please refer to Audit & Risk Committee Report of this Annual Report.

b) Nomination and Remuneration Committee ("NRC")

The NRC comprises exclusively of Non-Executive Directors, the majority of whom are Independent Directors. The NRC is chaired by Tengku Dato' Seri Hasmuddin Tengku Othman, an Independent Non-Executive Director. The terms of reference of the NRC are as follows:

- To review the Board composition and recommend to the Board appointment of new Directors of the Group and Board Committees.
- To evaluate the effectiveness of the Board, Board Committees and contributions of each individual Director.
- To review the GCEO's, Executive Director's and Chief Level Officers' objectives and goals and the assessment of performance of these persons against those benchmarks.
- To review the performance evaluation of Chief Level Officers namely the Chief Operating Officer, Chief Corporate Services and Chief Financial Officer ("Chief Level Officers").
- To determine the level and composition of remuneration for the GCEO and Executive Directors (if any) so as to ensure that the Group attracts and retains the GCEO and Chief Level Officers of the appropriate caliber, experience and quality needed to run the Group successfully. The level and composition of the remuneration should be structured so as to link rewards with corporate and individual performance.
- To develop policies, practices and recommend proposals appropriate to facilitate the recruitment and retention of the GCEO, Executive Directors and Chief Level Officers.

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3. COMMITTEES ESTABLISHED BY THE BOARD (CONT'D)

b) Nomination and Remuneration Committee ("NRC") (Cont'd)

The Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director. The NRC also assesses the independence of Directors annually based on the criteria specified in the MMLR.

The NRC meets as and when required, and at least twice a year. The attendance of Members at the NRC meetings held in FPE 2016 is as reflected below:

Name of Director	Number of NRC Meetings Attended
Tengku Dato' Seri Hasmuddin Tengku Othman (Chairman) <i>Independent Non-Executive Director</i>	2/2
Hj. Abdul Kadier Sahib <i>Non-Independent Non-Executive Director</i>	2/2
Sharifah Irina Syed Ahmad Radzi <i>Independent Non-Executive Director</i>	2/2

c) Investment Committee ("IC")

The IC is made up exclusively of Executive Director and Non-Executive Directors and is chaired by Dato' Dr. Ir. Hj. Mohd Abdul Karim Abdullah, a Non-Independent Executive Director. The roles and responsibilities of the IC are as follows:

- To assist the Board of Directors in performing its duties and discharging its responsibilities in evaluating the Group's investment proposals which includes and is not limited to merger & acquisitions, new partnerships, divestments and large capital expenditure projects.
- To examine and where appropriate, approve award of contracts for supply of goods, works or services within limits authorised in the LOA.
- To review selection for the appointment of successful tenderers for both closed and open tender applications.
- To examine and where appropriate, authorise the variation of tender procedures for the tender committee.

The IC meets as and when required. The attendance of Members at the IC meetings held in FPE 2016 is as reflected below:

Name of Director	Number of NRC Meetings Attended
Dato' Dr. Ir. Hj. Mohd Abdul Karim Abdullah (Chairman) <i>Non-Independent Executive Director / Group Chief Executive Director</i>	1/1
Dato' Awang Daud Awang Putera <i>Non-Independent Executive Director</i>	1/1
Tengku Dato' Seri Hasmuddin Tengku Othman <i>Independent Non-Executive Director</i>	1/1

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4. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment on the financial performance of the Group in all disclosures made to the stakeholders and the regulatory authorities. The Board is also committed to provide transparent and up-to-date disclosures of the performance of the Group via timely release of announcements on quarterly, half yearly and annual financial statements. The Board, assisted by the ARC, oversees the financial reporting process and the reliability of the financial reporting of the Group. The ARC seeks explanations and additional information from the Senior Management and the Group Chief Financial Officer in regard to the financial performance and preparation of the financial statements of the Group. The ARC reviews and discusses with the external auditors on their observations of the annual and interim financial results of the Group including the appropriateness of the accounting policies applied, its changes and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements.

b) Internal Control

The Board has the overall responsibility for maintaining a system of internal controls which provides reasonable assurance on the effectiveness and efficiency of the operations that ensure compliance with the applicable laws and regulations, as well as with internal procedures and guidelines.

In view of the size and complexity of the operations of the Group that will involve a wide variety of risks, it is the Board's responsibility to ensure that these risks are properly managed. Depending on the nature of the risks, certain events may occur which would give rise to unanticipated or unavoidable losses. The Group's system of internal controls are designed to provide reasonable and not absolute assurance against the risk of material errors, frauds or losses from occurring. The ARC, supported by the Internal Audit Function reviews the adequacy and effectiveness of the system of internal controls of the Group, covering risk management, operational and compliance controls as well as the process for the identification, evaluation and management of the significant risks faced by the Group. The scope of reviews also covers the internal controls over the financial reporting process and compliance with relevant accounting standards and regulations. Internal Audit Function assesses the operating effectiveness of the risk management, governance and internal control system and checks for compliance with statutory/regulatory requirements, internal policies and procedures as well as review the work processes/procedures for efficiency and effectiveness during its course of audits.

The internal audit reports are tabled to the ARC for their review and deliberations during its periodic meetings and the Board is informed of any significant audit matters reported to the ARC. The Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group, is set out on Page 87 to Page 90 of this Annual Report.

c) Related Party Transactions ("RPT")

The Internal Audit Function conducts review of the RPT and submits to the ARC for review of quarterly reports on the outcome of the review of RPT.

Details of these transactions are set out under Note 26 to the Financial Statements.

d) Audit & Risk Committee

The ARC's duties and responsibilities are set out under its terms of reference approved by the Board. The ARC assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal controls, risk management and governance systems of the Group.

The minutes of the ARC meetings are tabled to the Board for noting and action by the Board where appropriate. The activities carried out by the ARC during the year are set out under the Audit & Risk Committee Report on Page 91 to Page 95 of this Annual Report.

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4. ACCOUNTABILITY AND AUDIT (CONT'D)

e) Relationship with External Auditors

It is the policy of the ARC to meet with the external auditors to discuss its audit plan, audit findings and its views in respect of the true and fair view of the Group's financial statements. The ARC also meets with the external auditors whenever it deems necessary to discuss on key changes to regulatory requirements and latest developments in the accounting and auditing standards.

The external auditors are invited to attend the annual general meeting of the Group and is available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of Independent Auditor's report. The ARC is responsible for the review and assessment on the appointment or re-appointment of external auditors for statutory audit, recurring audit-related and non-audit related services. Recurring audit-related and non-audit related services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The review and assessment for the appointment / re-appointment of external auditors is carried out annually via an assessment checklist in accordance with the assessment criteria covering regulatory requirements, performance, independence and objectivity, to ensure that the independence and objectivity of the external auditors as statutory auditors is not compromised. In addition, the ARC reviews the terms of engagement for services provided by the external auditors prior to submission to the Board for approval. The Board, upon concurrence with the outcome of the assessment, approved the appointment or re-appointment of the external auditor based on the ARC's recommendation subject to the approval by shareholders at the annual general meeting.

5. EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

The Group attaches great importance to effective communication with shareholders in order to strengthen the mutual relationship with its shareholders and investors. In accordance with the MMLR pertaining to continuing disclosure and the best practices as recommended in the MCCG 2012 with regard to strengthening engagement and communication with shareholders, the Group continuously discloses and disseminates relevant and comprehensive information in a timely manner to its shareholders and the general investing public.

The Group believes that effective and timely communication will enhance shareholders' understanding and appreciation of the Group's business strategies, performance and challenges. Moreover, enhanced engagement also facilitates the ability of the shareholders in making informed investment decisions and in exercising their rights as shareholders. A range of communication channels are used to build a more constructive relationship between the Group and its stakeholders.

a) Annual Report

The Group's annual report provides comprehensive information on the financial results, business performance and operations of the Group. It provides full disclosure and is in compliance with the MMLR on Financial Reporting. Where applicable, the Group also provides disclosures of information over and above the regulatory requirements on a voluntary basis.

The Group disseminates its annual report to its shareholders which highlights of the Group's key financial and corporate information, in order to facilitate shareholders' access to such key information. The annual report is also made available for viewing and download on the corporate website of the Group as soon as it is announced or published.

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5. EFFECTIVE COMMUNICATION WITH SHAREHOLDERS (CONT'D)

b) Annual General Meeting ("AGM")

The AGM of the Group provides a useful forum for shareholders to engage directly with the Group's Directors and Senior Management. At the AGM, the Chairman of the meeting presents a comprehensive and concise review of the Group's financial performance and value created for shareholders. This review is supported by visual and graphical presentation of key points and key financial figures.

During the AGM, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Group's Directors and Senior Management Officers. A summary of the proceedings of the annual general meetings is also made available at the corporate website of the Group.

c) Corporate Website

The Group's corporate website provides convenient access to the annual report, press releases, analyst briefings presentation slides and / or also archives all other corporate and financial information that had been made public, such as the quarterly announcement of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements of MMLR and other corporate information of the Group.