

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5242
COMPANY NAME : SOLID AUTOMOTIVE BERHAD
FINANCIAL YEAR : April 30, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to 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 plays an active role in the overall performance and management of the Group. The Board sets the Group's strategic direction, strategic management and business performance, enterprise risk management and internal controls, standards of conduct, corporate governance and sustainability, effective communication with shareholders and investors and key business decisions.</p> <p>The Board has established the Board Charter which outlines the duties and responsibilities of directors, including the division of responsibilities and authorities between the Board and the Executive Management and between the Chairman of the Board and the Managing Director. Matters reserved for the Board for review and decision are also clearly defined in the Board Charter. The charter sets out the purpose, Board's strategic intent, responsibilities and authorities as well as terms of reference.</p> <p>To ensure that the Board's functions and responsibilities are discharged, the Board has delegated certain authorities and responsibilities to the Executive Directors as well as Board Committees. The Board Committees consist of Audit Committee, Nominating Committee, Remuneration Committee and Employee Shares Options Scheme ("ESOS") Committee. Each committee are entrusted with specific responsibilities in accordance to their respective Terms of Reference.</p> <p>The Board assumed, among others, six (6) core responsibilities as follows:</p> <ul style="list-style-type: none">• Reviewing and adopting the strategic plan for the Group <p>The Board reviews and approves Management's proposal on the strategic plan for the Group and receives updates from the Management on specific business environment and future business trend as well as factors affecting the performance and strategies of</p>

	<p>the Group on a quarterly basis. Any new developments regarding the current strategies and actions taken are discussed during the Board Meetings with the proposed strategic direction deliberated and decided by the Board. In addition, any material investment contemplated by the Group is proposed by the Executive Director(s) of the Board for deliberation to ensure that it is in line with the Group's strategic direction and all key risks are properly assessed and addressed.</p> <ul style="list-style-type: none"> • Overseeing the conduct and performance management of the Group <p>On a quarterly basis, the financial results are presented by the Management to the Board for review. In addition, key business indicators, such as trade receivables' aging analysis, inventory aging analysis and trade payables aging analysis, are tabled to the Audit Committee for their review and subsequent reporting to the Board on quarterly basis. Key business and financial issues identified and raised are deliberated by the Board to ensure that the issues in question are properly addressed and the associated risks adequately managed. On a quarterly basis, the outsourced internal audit function table their internal audit findings to the Audit Committee.</p> <ul style="list-style-type: none"> • Reviewing and managing principal risks affecting the Group <p>The Board is kept apprised of any emergence of new or changes of the key risks faced by the Group and the steps taken to manage these risks by the Executive Directors and the Management during the scheduled meetings. Through the use of the internal audit function, the Board ensures that the risk management and internal controls systems are in place and operating as laid down.</p> <ul style="list-style-type: none"> • Succession Planning and Overseeing Human Capital Development <p>The Board has adopted a formal Succession Planning policy to ensure that candidates appointed to senior management positions are of sufficient calibre and competency. The Group has in place succession planning procedures whereby competent and suitably qualified staff is identified by the Managing Director and Executive Directors for key functions within the Group. The development of the identified staff is managed through on-the-job training and guidance as well as external trainings to close the competency gap required.</p> <p>On an annual basis, the Nominating Committee assesses the performance of the individual directors (including the Managing Director and Executive Directors) and identified their training requirements to ensure that all directors possess the necessary skills and knowledge to discharge their fiduciary duties and responsibilities. In addition, the Remuneration Committee meets</p>
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on an annual basis to review the remuneration package and fees of the executive directors to ensure that it commensurate with the performance and contribution of each director. The results of the review and recommendations by the Nominating Committee and the Remuneration Committee are tabled at the Board meeting for deliberation and approval.

- Reviewing the adequacy and integrity of the Group management information and internal control systems

The Board has established an internal audit function to assist it in ensuring that the risk management and internal control systems are in place, adequate and operating as laid down. The Internal Audit function is performed by an outsourced independent professional firm, which reports directly to the Audit Committee and performs their work based on the internal audit plan approved by the Audit Committee. The internal audit report together with findings, recommendations and management action plans are presented to the Audit Committee quarterly and the results reported to the Board.

- Reviewing policies relating to investor relations and shareholder communication

The Board has established a formal Corporate Disclosure Policy to ensure timely, factual, accurate and comprehensive communication of material events to the regulatory authorities, shareholders and stakeholders.

The principles adopted by the Board on corporate disclosure are transparency and accountability, compliance with relevant laws and regulations, confidential and timely disclosure as well as fair and equitable access to information. Proper governance structure and processes are established within the Corporate Disclosure Policy to guide the proper disclosure of material information as well as confidentiality preservation requirements.

In carrying out the Board's responsibilities, the key matters reserved for the Board's approval, include among others, material new ventures, corporate planning programmes, material acquisitions and disposals, material investments, changes in the major activities, major borrowings, major agreements/contracts, changes to the management and control structure and compliance with relevant laws and regulations. In addition, the authorisation requirements delegated to the Management are incorporated in the key business processes and stated in the Group's Authorisation Limit policy.

The Board has delegated to the Senior Management to achieve the strategic goals set and determine appropriate initiatives to achieve the strategic goals, so that shareholders' value is created in the long term.

	A copy of the Board Charter is available for download at the “Investors Relation – Corporate Governance” section of www.solidautomotive.com .	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Group has appointed, Mr. Kek Kok Swee, an Independent Non-Executive Director, as the Chairman of the Board. His profile is set out in the Annual Report Financial Year Ended ("FYE") 30 April 2018. A copy of the Board Charter is available for download at the "Investors Relation – Corporate Governance" section of www.solidautomotive.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>As stated in the Board Charter, the position of the Chairman and Managing Director should be held different individuals. The Chairman must be a Non-Executive Director.</p> <p>The responsibilities of the Chairman are to oversee and supervise the Board so that it operates in an efficient and effective manner. The responsibilities of the Managing Director are to oversee the day-to-day management of the Group as delegated by the Board.</p> <p>The position of Chairman of the Board is held by an Independent Non-Executive, Mr. Kek Kok Swee and the position of the Managing Director is held by Mr. Ker Min Choo. The profile of both directors are set out in the Annual Report Financial Year Ended ("FYE") 30 April 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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>It is the policy of the Company that a professionally and competent company secretary is appointed per the Board Charter.</p> <p>The Board appointed professional and competent Company Secretaries (a member of the Malaysian Institute of Chartered Secretaries and Administrators and a Licensed Company Secretary respectively) to discharge its functions with their attendance at all Board and Board Committee meetings. The Company Secretary is responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretary advises the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements. The Company Secretary ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management.</p> <p>The Company Secretary also ensures that all Board and Board Committee meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory records and registers of the Company.</p> <p>The Company Secretary attended briefings and updates provided by the relevant regulatory bodies or professional firms in order to keep abreast with the latest development in the relevant regulatory requirements, codes or guidance and legislations in order to ensure timely compliance with relevant laws and regulations.</p> <p>The Company Secretaries appointed are Ms. Chen Yew Ting and Ms. Ang Mui Kiow.</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 1.5

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>In order to facilitate effective and efficient board meetings, the Board has scheduled the meetings annually with tentative dates given. This is to ensure that the Board members are able to plan ahead their schedules for the meetings.</p> <p>All the Board members are furnished electronically with the board papers on matters pertaining to the financial performance, draft quarterly announcements, significant acquisitions or disposals that needs to be discussed, deliberated and approved, at least seven (7) days prior to the meeting date. This is to ensure that the Board members are given sufficient time to digest and understand matters or raise concerns that requires to be deliberated in the meeting.</p> <p>The Company Secretaries ensures that the issues deliberated and discussions made during the meeting are being properly recorded in minutes. The minutes of the previous meeting are distributed for perusal and confirmation by the Directors at the Board and Board Committee meetings on a timely basis.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established the Board Charter which outlines the duties and responsibilities of directors, including the division of responsibilities and authorities between the Board and the Executive Management as well as between the Chairman of the Board and the Managing Director with matters reserved for the Board for review and decision clearly defined. The charter sets out the purpose, Board’s strategic intent, responsibilities and authorities as well as terms of reference.</p> <p>The Board Charter also acts as a source of reference and primary induction literature in providing insights to Board members and senior management.</p> <p>A copy of the Board Charter is available for download at the “Investors Relation – Corporate Governance” section of www.solidautomotive.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a Code of Conduct and is committed to ensure that highest standard of integrity, transparency and accountability are adopted and practiced throughout the Company and the Group.</p> <p>The Code of Conduct sets out the principles and standards of business ethics and conduct of the Group. The Code of Conduct also provides ethical and legal guidance to all Directors and employees of the Company and the Group.</p> <p>A copy of the Code of Conduct is available for download at the “Investors Relation – Corporate Governance” section of www.solidautomotive.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 established a formal Whistle-Blowing Policy to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Company may be exposed.</p> <p>The formal Whistle-Blowing Policy provides a mechanism for employees and other interested parties to confidentially bring to the attention of the members of the Audit Committee any concerns related to matters covered by the Group Code of Conduct, legal issues and financial, accounting or audit matters. The policy is also designed in such a way that any improper conduct (misconduct or criminal offence) is reported to representative of the Audit Committee directly. The whistle-blower will be accorded with protection of confidentiality of identity and be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed, to the extent reasonably practicable.</p> <p>A copy of the Whistle Blowing Policy is available for download at the "Investors Relation – Corporate Governance" section of www.solidautomotive.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board comprises of seven (7) members of which four (4) are Executive Directors and three (3) are Independent Non-Executive Directors.</p> <p>The Board is of the opinion that the current composition is sufficient in making objective decisions in the best interests of the Group and Company while taking into account the size of the Group. The Independent Non-Executive Directors consist of diversified and experienced directors with relevant knowledge and skillsets in their respective fields, such as finance, accountancy, taxation and business management and etc.</p> <p>The independent elements within the Board is also reinforced by the fact that the Chairman of the Board is an Independent Non-Executive Director (as required under the Board Charter) who is responsible for the governance and orderly conduct and effectiveness of the Board and position of the Chairman and the Managing Director is separated. Furthermore, the Board had adopted Step-Up Practice 8.4 whereby the Audit Committee is made up exclusively of Independent Directors to enhance independence and objectivity within the Board.</p> <p>With the above, despite the departure from the Practice 4.1, the Board believes that the independent elements within the Board is uphold and the independence and objectivity are asserted during the deliberation and decision making at the Board and the Board Committees' meeting.</p> <p>The Board will continuously review the composition and size of the Board to ensure its appropriateness and effectiveness and to be in line with regulations and guidelines.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	As at financial year ended 30 April 2018, there were no Independent Directors whose tenure has exceeded a cumulative term limit of nine (9) years.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	As at financial year ended 30 April 2018, there were no Independent Directors whose tenure has exceeded cumulative term limit of nine (9) years.

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 Nominating Committee is responsible to identify and nominate suitable candidates for consideration and approval by the Board.</p> <p>The Nominating Committee members shall recommend/propose to the Board on suitable candidates for directorships and senior management taking into consideration the following:</p> <ul style="list-style-type: none"> • Competencies (including skills, knowledge, expertise and experience); • Professionalism; • Integrity; • Commitments; • Contributions; and • Performance <p>During the financial year, there were no appointments of new board members and senior management.</p> <p>A copy of the Terms of Reference of the Nominating Committee is available for download at the “Investors Relation – Corporate Governance” section of www.solidautomotive.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board has not established a formal policy on gender diversity.	
		Although there is no formal policy on gender diversity, one member of the Board of Directors is a female director. The Board promotes gender diversity and believes in recruiting and retaining the right talent for every position, regardless of gender, while considering the requisite knowledge, skill sets and experience.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee is responsible to identify and nominate suitable candidates for consideration and approval by the Board.</p> <p>The Nominating Committee members shall recommend/propose to the Board on suitable candidates for directorships and senior management taking into consideration the following:</p> <ul style="list-style-type: none"> • Competencies (including skills, knowledge, expertise and experience); • Professionalism; • Integrity; • Commitments; • Contributions; and • Performance <p>Other than recommendations from existing board members, management or major shareholders, the Nominating Committee members will also seek recommendations from external sources such as business associates or putting out open requests for interviews, if necessary, in order to identify qualified candidates.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>As stated in the Terms of Reference of the Nominating Committee, the Chairman of the Nominating Committee shall be an Independent Non-Executive Director.</p> <p>The Chairman of the Nominating Committee is held by Mr. Kek Kok Swee, an Independent Non-Executive Director. His profile is set out in the Annual Report FYE 30 April 2018.</p> <p>A copy of the Terms of Reference of the Nominating Committee is available for download at the “Investors Relation – Corporate Governance” section of www.solidautomotive.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 Nominating Committee has established formal annual procedures for the evaluation of the performance of Board, Board committees and individual directors. The criteria include, among others, Board effectiveness, composition of the Board and Board committees and contribution of individual Board members at meetings.</p> <p>For the FYE 30 April 2018, the Nominating Committee met once to review the compliance of the composition requirement of the Nominating Committee in accordance with MMLR of Bursa Securities and the annual assessment process. The Nominating Committee conducted evaluations of the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director as well as independence assessments on the Independent Non-Executive Directors. The Nominating Committee also reviewed the independence, competencies, contributions and suitability of directors seeking re-election and re-appointments before recommending them to the Board prior to submission of their names to shareholders for approval at the Annual General Meeting.</p> <p>In addition, peer review of fellow directors is required to be performed by each director based on recommended evaluation criteria per the Corporate Governance Guide issued by Bursa Malaysia Berhad, whereby the criteria in terms of fit and proper as well as contribution and performance of fellow directors are assessed.</p> <p>As for the performance evaluation of board committees, the Board assesses the performance of the Audit Committee, Nominating Committee, Remuneration Committee and ESOS Committee based on the recommended evaluation criteria adopted from the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes.</p> <p>On an annual basis, the relevant assessment and review forms/ questionnaires in relation to the aforementioned assessments/ reviews</p>

	<p>are circulated to each director with sufficient time to complete in advance and the assessment/ review results are collated for the Nominating Committee's review.</p> <p>With the above processes, the Board, through the Nominating Committee, reviews and assesses its required mix of skills and experience and other qualities, including core competencies which directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the need for fair remuneration in order to attract, retain and motivate Directors that carry out their responsibilities and expertise that benefits the Group’s business activities. The Board takes cognisance that Directors remuneration should be aligned with the business strategy and long-term objectives of the Group and is reflective of their experience and level of responsibilities.</p> <p>The Board has in place a formal Board Remuneration Policy as a guidance to the Remuneration Committee in the review and consideration of the proposed remuneration package of the members of the Board. Major components of the remuneration package for executive directors and non-executive directors are identified for review based on criteria established in the formal policy.</p> <p>The objectives of the formal Board Remuneration Policy are as follows:</p> <ul style="list-style-type: none"> • to enable the Company to attract and retain highly qualified members to enable the Company to provide a well-balanced and competitive directors compensation package. • to ensure that the interests of Executive Directors are aligned with the business strategy, risk tolerance, values and medium to long-term interests of the Group and is consistent with the “pay-for-performance” principle. • to promote strong teamwork culture among the Executive Directors. • to instil transparency and openness in the review and approval of compensation package of the Board’s members.
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 of the Company comprises of three (3) members with two (2) Independent Non-Executive Directors, who are Mr. Kek Kok Swee and Mr. Azahar Bin Baharudin, and the Managing Director, Mr. Ker Min Choo. The Remuneration Committee is governed by written terms of reference approved by the Board.</p> <p>The duties of the Remuneration Committee per the approved terms of reference are:</p> <p>a) Review, recommend and advise on all forms of directors' remuneration e.g.:</p> <ul style="list-style-type: none">• Basic Salary• Profit-Sharing Schemes (if any)• Share Options (if any)• Fees• Any other benefits <p>b) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors;</p> <p>c) To structure the component parts of the Executive Directors' remuneration so as to link rewards to corporate and individual performance; whereas, in the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned;</p> <p>d) Conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to performance over time;</p> <p>e) To monitor and assess, if any, the suitability of such proposed performance related formula (e.g. whether the formula is based on individual performance, company profit performance, earnings per share, etc.) and to see that awards under the Company's share</p>

	<p>option schemes to the Directors are consistent with the Company's overall performance and provide an additional incentive to management;</p> <p>f) To provide an objective and independent assessment of the benefits granted to Executive Directors;</p> <p>g) To consider what other details of Executive Directors' remuneration to be reported in addition to the existing legal requirements, and how these details should be presented in the Annual Report;</p> <p>h) To furnish a report to the Board of any findings of the Committee;</p> <p>i) Engage or appoint such other competent and professional advisers/ consultants as may be deemed fit to assist the Remuneration Committee in the smooth discharge of its duties herein; and</p> <p>j) Generally, to decide and implement such other matters as may be delegated by the Company's Board of Directors from time to time.</p> <p>A copy of the Terms of Reference of the Remuneration Committee is available for download at the "Investors Relation – Corporate Governance" section of www.solidautomotive.com.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

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

Practice 7.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the opinion that the detailed disclosure on named basis of the remuneration of individual directors may jeopardize the personal security of the individual directors.</p> <p>As an alternative to this Practice, the remuneration of Directors during the FYE 30 April 2018, distinguishing between Executive Director and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are disclosed in the "Corporate Governance Overview Statement" section of the Annual Report FYE 30 April 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board is of the opinion that the disclosure on named basis of the remuneration of the top five (5) senior management's may jeopardize the personal security of the senior management.
		As an alternative to this Practice, the remuneration of senior management during the FYE 30 April 2018, distinguishing between Executive Director and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are disclosed in the "Corporate Governance Overview Statement" section of the Annual Report FYE 30 April 2018.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Mr. Azahar Bin Baharudin and the Chairman of the Board is Mr. Kek Kok Swee. Their profiles are set out in the Annual Report FYE 30 April 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Audit Committee does not have a formal policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.	
		<p>The Board and the Audit Committee is aware and mindful of the minimum two (2) years cooling-off period before appointing a former key audit partner.</p> <p>None of the Audit Committee members are former key audit partner. To date, the Board has no intention to appoint any former key audit partner as a member of the Audit Committee or a director of the Board.</p> <p>The Board will continuously enhance the Terms of Reference of the Audit Committee to formalise such policies as and when the need arises.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board does not have a formal policy and procedures to assess the suitability, objectivity and independence of the external auditors.</p> <p>The Board and the Audit Committee recognises the importance of the independence of the external auditors that they are able to discharge their work independently and professionally.</p> <p>The Audit Committee reviews the declaration of independence and objectivity of the external auditors on an annual basis through the Audit Planning Memorandum and Audit Review Memorandum presented to the Board by the external auditors. The audit work performed and their commitments are communicated to the Audit Committee on an ongoing manner. The external auditors have direct communication with the Audit Committee so that they can freely exchange views and opinions without the interference of the Executive Directors and Senior Management.</p> <p>The Board and Audit Committee will continuously enhance its policies and procedures including its assessments of external and internal auditors.</p> <p>A copy of the Terms of Reference of the Audit Committee is available for download at the "Investors Relation – Corporate Governance" section of www.solidautomotive.com.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	The members of the Audit Committee comprise solely Independent Non-Executive Directors, namely: 1) Mr. Azahar Bin Baharudin 2) Mr. Kek Kok Swee 3) Ms. Tan Lay Beng

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All the members of the Audit Committee possess a wide range of experience, exposure knowledge in various field of accounting, finance, taxation and consulting. Hence, they are financially literate and are able to under matters under the purview of the Audit Committee including the financial reporting process.</p> <p>Mr. Kek Kok Swee and Ms. Tan Lay Beng are both members of the Malaysian Institute of Accountants, thus fulfilling paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which calls for one member of the audit committee to be a member of a professional accountancy body. Mr. Azahar Bin Baharudin has considerable experience in the finance and banking sector and subsequently as business development head and consulting.</p> <p>All the members of the Audit Committee have attended trainings conducted by regulatory bodies or professional organisations in order to keep themselves abreast of relevant developments.</p> <p>The list of professional development programmes that the Audit Committee members attended can be found in the "Corporate Governance Overview Statement" section in the Annual Report FYE 30 April 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board affirms its responsibility to maintain a sound risk management and internal control system and for reviewing their adequacy and effectiveness to safeguard its stakeholders’ interests and the Group’s assets. The Board has delegated these aforementioned responsibilities to the Audit Committee whereby the Audit Committee is assigned with the duty, through its terms of reference approved by the Board, to review and consider the adequacy and effectiveness of the risk management and internal control system of the Group. Through the Audit Committee, the Board is kept informed of all significant control issues brought to the attention of the Audit Committee by the management, the internal audit function and the external auditors.</p> <p>The risk management and internal control framework of the Group and the Company has been disclosed in the “Statement of Risk Management and Internal Control” section of the Annual Report FYE 30 April 2018.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The features of the risk management and internal control framework and the adequacy and effectiveness of this framework of the Group and the Company has been disclosed in the "Statement of Risk Management and Internal Control" section of the Annual Report FYE 30 April 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Risk Management of the Group is delegated to the Risk Management Committee comprising an Executive Director and Senior Management to assess and monitor the Group's risk as well as to discuss, evaluate and address matters associated with strategic, financial, operational and governance aspects of the Group.</p> <p>The Risk Management Committee is supervised and oversee by the Audit Committee, which comprises only Independent Non-Executive Directors.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function of the Group is outsourced to a professional consulting firm to undertake independent, objective, regular and systematic reviews of the internal controls system of the Group. The outsourced internal auditors report directly to the Audit Committee.</p> <p>The Audit Committee reviews the internal audit plan tabled to ensure the adequacy of the audit scope and coverage in relation to the risk management framework, key business risk exposure and risk appetite of the Group prior to its approval for execution. The internal audit plan is duly executed by the internal audit function with any subsequent changes to the plan reviewed and approved by the Audit Committee. Further, the Committee regularly reviewed the internal audit plans during the financial year to take into account any changes in the prevailing business environment, business structure and composition and its associated risks to ensure the continuing relevance of the approved internal audit plans, adequacy of the scope and resources being allocated to the outsourced internal audit function and any changes are approved by the Committee prior to execution.</p> <p>The outsourced internal auditor tables the results of their review to the Audit Committee at their scheduled meetings highlighting their findings, recommendations, areas of improvement opportunities, management response and action plan. In addition, the outsourced internal audit function performed follow up reviews to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee for their review and deliberation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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 Audit Committee ensures the effectiveness and adequacy of the outsourced internal audit function, its competency and resources allocated to the internal audit function through the review of the outsourced internal auditor’s resources and the qualifications, working experience and continuous professional development of the personnel of the outsourced internal audit function which was tabled by the outsourced internal audit function at the Audit Committee meetings during the financial year under review.</p> <p>The internal audit function has been outsourced to an independent professional firm, Messr. NeedsBridge Advisory Sdn. Bhd. The engagement director of the outsourced internal audit function, Mr. Pang Nam Ming, is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global.</p> <p>Please refer to the “Statement of Risk Management and Internal Control” section of the Annual Report FYE 30 April 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to maintain effective communications with its shareholders and investors. The main communication channels with shareholders and investors are the announcements made through Bursa Securities and the Annual Report. All material announcements to be made through Bursa Securities are approved by the Board prior to its release to Bursa Securities. The Board observes all disclosure requirements as laid down by MMLR and the Capital Markets and Services Act 2007 with regard to dissemination of material corporate information and announcements on a timely basis. To further enhance the corporate disclosure, the Chairman of the Board, the Managing Director and a designated Executive Director are delegated with the role as authorised speaker for the Company to ensure consistent, factual and accurate disclosure.</p> <p>The Board has a formal Corporate Disclosure Policy which sets out the policies and procedures for disclosure of material information of the Group and which is applicable to all Directors and employees of the Group. The management of the corporate disclosure is delegated to a designated Executive Director with responsibilities, authorities and resources clearly defined. The proper procedures for responses to market rumors and disclosures of material information are clearly stated in the policy. The policy includes internal control procedures on confidentiality to ensure that confidential information is handled in a proper manner to avoid leakages and improper use of such information.</p> <p>For transparent, quick and effective dissemination of material information, the Company's website incorporates an "Investor Relations" section which provides all relevant information on the Company and is accessible by the public via www.solidautomotive.com. This Investor Relations section includes links to announcements made by the company and the quarterly results and annual reports for the public to access. Further, an email address is provided in "Investor Relations" section of Company's website to which request of any investor can be forwarded to.</p>

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not categorised as “Large Companies” as defined by the MCCG and is not a company under FTSE Bursa Malaysia Top 100 Index. Hence, the Company did not adopt integrated reporting.	
		The Board is of the opinion that the disclosure set out in the Annual Report in accordance with the relevant requirements are adequate and sufficient.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Notice for the Fifth (5th) Annual General Meeting held on 24th October 2017 was issued at least 28 days prior to the meeting on 30 August 2017. Sufficient time has been given to the shareholders to prepare and understand of the resolutions that was to be resolved at the General Meeting.</p> <p>The Notice for the Sixth (6th) Annual General Meeting will be issued in both electronic format (Eg. Bursa website and company website) and hardcopy (Eg. Newspaper and Annual Report).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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	:	All the Directors have attended the Fifth (5 th) Annual General Meetings and Extraordinary General Meetings held on 24 October 2017 to discuss and address the shareholders on the questions raised on financial performance and other related matters pertaining to the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Annual General Meeting of the Company is held at the Company's Headquarter at Pasir Gudang, Johor Bahru which is easily accessible by the shareholders.</p> <p>The Board is of the opinion that at this juncture, using electronic voting and webcast is not cost effective to implement.</p> <p>Shareholders are entitled to appoint proxy/proxies to vote on their behalf at the General Meetings.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

Not applicable.
