



SINO HUA-AN INTERNATIONAL BERHAD
(732227-T)

BOARD CHARTER

VISION

TO BE THE BEST AND MOST RESPECTABLE MANUFACTURER OF METALLURGICAL COKE AND BY-PRODUCTS IN THE EYES OF OUR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS

MISSION

SINO HUA-AN WILL BE THE BUSINESS PARTNER OF CHOICE FOR OUR CUSTOMERS BY PROFITABLY AND CONSISTENTLY PROVIDING SUPERIOR QUALITY PRODUCT AND SERVICES. WE WILL ACCOMPLISH THIS THROUGH SAFE AND ENVIRONMENTALLY RESPONSIBLE MANNER THROUGH RECYCLING, FLEXIBILITY, INNOVATION AND TEAMWORK

CORE VALUES

- ❖ MUTUAL RESPECT FOR INDIVIDUALS AND FAMILIES
 - ❖ GOOD CORPORATE CITIZENSHIP
 - ❖ STRONG WORK ETHICS
 - ❖ HONESTY AND INTEGRITY
 - ❖ CREATIVITY AND INNOVATION

1. PREAMBLE

The directors of Sino Hua-An regard Corporate Governance as vitally important to the success of Sino Hua-An's business and are unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its shareholders and relevant stakeholders:

- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for the company achieving the highest level of business conduct.
- This Board Charter shall constitute, and form, an integral part of each director's appointment letter.
- The Board is the focal point of the company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the company.

2. PURPOSE

The purpose of this Board Charter is to regulate how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The Board Charter sets out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected from them.

3. OBJECTIVES

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the company are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and to ensure that the principles of good Corporate Governance are applied in all their dealings in respect, and on behalf, of the company.

4. BOARD LEADERSHIP

4.1. There are two key tasks at the top of a company, the running of the Board and the executive responsibility for the running of the company's business. There should be a clear division of responsibilities at the head of the company to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

4.2. The Board should provide leadership and vision to the company in a way that will enhance shareowner value and ensure long-term sustainable development and growth of the company.

4.3 The roles of Chairman and CEO are separate, with responsibilities divided between them.

4.4. The Chairman

4.4.1 The Chairman is responsible for representing the Board to the shareholders and indirectly to the general public for performance.

4.4.3. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board.

4.4.4 The Chairman must ensure that the content and order of the agenda are appropriate and that the members of the Board have the relevant papers in good time. The Chairman must also ensure that the Board members are properly briefed on issues arising at board meetings and that all available information on an issue is before the Board.

- 4.4.5. The Chairman is responsible for maintaining regular dialogue with the Chief Executive Officer (“CEO”) over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him or her cause for major concern.
- 4.4.6 The Chairman will act as facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.
- 4.4.7 Between Board meetings the Chairman shall maintain an informal link between the Board and the CEO, expect to be kept informed by the CEO on all important matters, and is available to the CEO to provide counsel and advice where appropriate.

4.5. The CEO

- 4.5.1. The Board will link the company’s governance and management functions through the CEO.
- 4.5.2 The Board will appoint the CEO and set the terms of his or her employment contract
- 4.5.3 The task of the CEO is to run the business and to implement the policies and strategies adopted by the Board.
- 4.5.4 The CEO must supervise and control the general management and operation of Sino Hua-An.
- 4.5.5 All Board authority conferred on management is delegated through the CEO, so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the Board is concerned. The Board must agree to the levels of sub-delegation immediately below the CEO.

- 4.5.6. The Board will agree with the CEO the specific results directed toward the company achieving its goals. This will take form of an annual performance contract under which the CEO is authorised to make agreed decisions and take mandated actions within management limitations, directed at achieving such goals. The performance objectives will be structured into quantified organisational achievement and personal achievement against defined targets agreed between the CEO and Chairman (acting on behalf of the Board).
- 4.5.7. Only decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of individual members of the Board, officers or committees are not binding except in those instances where specific authorisation is given by the Board.
- 4.5.8. The CEO, in association with the Chairman, is accountable to the Board for the achievement of the company goals and the CEO is accountable for the observance of the management limitations.
- 4.5.9. The CEO is expected to act within all specific authorities delegated to him by the Board.
- 4.5.10. The CEO is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics and not to cause or permit any action that does not take into account the health, safety, environmental and political consequences and their effect on long-term shareowner value.
- 4.5.11. To CEO, with the management team, is expected to ensure that the assets of the company are adequately maintained and protected, and not unnecessarily placed at risk. The company must be operated with a comprehensive system of internal control, and assets or funds must not be received, processed or disbursed without controls that, as a minimum, are sufficient to meet standards consistent with the company's risk management policies and processes and that are acceptable to the company's external auditors. In managing the risks of the company, the CEO is expected to not cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole.

- 4.5.12. The CEO is expected to not permit employees and other parties working for the company to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.
- 4.5.13. The CEO is expected to not cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the business and are proportional to the extent that the contribution in question has furthered such purposes.

5. COMPOSITION OF THE BOARD

- 5.1. The company has a unitary board, currently consisting of four executive and three independent non-executive directors and thus obtain the desired level of objectivity and independence in Board deliberations and decision-taking.
- 5.2. An executive director is considered an individual who:
 - 5.2.1. is involved in the day-to-day management of the company; and/or
 - 5.2.2. is a full-time salaried employee of the company and/or its subsidiaries.
- 5.3. A non-executive director is considered an individual who:
 - 5.3.1. is not involved in the day-to-day management of the company; and/or
 - 5.3.2. is not a full-time salaried employee of the company or its subsidiaries; and/or
 - 5.3.3. an individual in the full time employment of the holding company, or any of its subsidiaries other than this company, shall also be considered a non-executive director to the extent that they carry no executive authority over the day-to-day affairs of the company and its subsidiaries.
- 5.4. An independent non-executive director is considered an individual who:

- 5.4.1. is not a representative of a shareowner who has the ability to control or significantly influence management.
- 5.4.2 has not been employed by the company or the group or the group of which it currently forms part, in any executive capacity for the preceding three financial year;
- 5.4.3. is not a member of the immediate family or an individual who is, or has been in any of the past three financial years, employed by the company or the group in an executive capacity;
- 5.4.4. is not a professional advisor to the company or the group, other than in a director capacity;
- 5.4.5. is not a significant supplier to, or customer of, the company or group.
- 5.4.6 has no significant contractual relationship with the company or the group; and
- 5.4.7 is free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent manner and exercise an objective judgment.
- 5.5. Procedures for appointments to the Board should be formal and transparent. The Remuneration and Nomination Committee is responsible for the assessment and nomination of potential new directors.
- 5.6. The Board shall define an appropriate division of duties and responsibilities on the Board, identifying key roles and performance standards for Board members and ensure that Board members clearly understand these functions.
- 5.7 The Board is willing to have members of management appointed to the Board in addition to the CEO. However, the Board believes that management should encourage senior management to understand that Board membership is not necessary or a prerequisite to any higher management position in the company.

- 5.8. Qualification for membership of the Board are:
- 5.8.1. an appropriate knowledge, understanding and experience of the conduct of the business, as well as the laws, customs and values that govern the activities of the organization;
 - 5.8.2. the ability to make sensible and informed business decisions and recommendations;
 - 5.8.3. an entrepreneurial talent for contributing to the creation of shareowner value;
 - 5.8.4. the ability to ask hard questions;
 - 5.8.5. high ethical standards and sound practical sense;
 - 5.8.6. the ability to see the wider picture and perspective, with some benefit of international experience;
 - 5.8.7. integrity in personal and business dealings; and
 - 5.8.8. total commitment to furthering the interest of the shareholders and to achieve the company's goals.
- 5.9 Key competencies required for non-executive directors include:
- 5.9.1. to contribute an independent view to matter under consideration;
 - 5.9.2. an ability to add value to Board deliberations;
 - 5.9.3. to add to the breadth and depth of experience of the Board;
 - 5.9.4. an ability to clearly communicate;
 - 5.9.5. an ability to demonstrate a wide, and unfettered, perspective on issues and bring to the Board integrity and a strong sense of ethics;
 - 5.9.6. organisational and strategic awareness and an appropriate level of financial literacy;

- 5.9.7. a knowledge of the responsibilities of a director; and
- 5.9.8. an ability to constructively collaborate as part of a team contributing towards the successful performance of the company.

5.10. Size of the Board

- 5.10.1. The size of the Board is dictated by the company's Articles of Association ("Articles"), which permits a maximum of **nine** directors to be appointed to the Board.
- 5.10.2. The Board composition must be sufficient to:
 - 5.10.2.1. ensure a wide range of skills and knowledge, views and experience, such that the common purpose, involvement, participation, harmony and sense of responsibility of Board members is not jeopardized; and
 - 5.10.2.2. achieve the balance of skills, experience, and professional and industry knowledge necessary to meet the company's strategic objectives.

5.11. Time period of office

- 5.11.1. Generally, Board members have no fixed term of appointment, but retire by rotation every three years.
- 5.11.2. New Board members will only hold office until the next annual general meeting at which they will retire and become available for election.
- 5.11.3. All Board members are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the Articles.
- 5.11.4. Termination of a service/employment contract will result in resignation from the Board, unless the Board determines otherwise.

- 5.11.5 Non-executive directors shall agree to consult the Chairman in regard to external appointments. While the Board encourages its executive directors to accept outside appointments to other boards, this must first be discussed with the Chairman and CEO, and will be considered to the extent that it is not in conflict with the business and will not detrimentally affect their executive responsibilities.

5.12. Reward System

- 5.12.1. The Board will determine the level of remuneration paid to directors within any limitations imposed by shareholders.
- 5.12.2. Levels and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the company successfully, but the company should avoid paying more than is necessary for this purpose.
- 5.12.3 Non-executive members receive no share options nor significant benefits from Sino Hua-An, other than their directors' fees, which will be paid as follows:
- 5.12.3.1. basic fee as ordinary remuneration;
 - 5.12.3.2. additional fee – as Chairman of a board committee;
 - 5.12.3.3. additional fee – as a member of a board committee; and
 - 5.12.3.4. additional fee – for any special service as a Board member.
- 5.12.4. The Chairman of the Board will be paid a level a fee appropriate to his or he office.
- 5.12.5. The CEO's remuneration will depend on the achievement of the goals set at the beginning of each year. The goals are divided between quantified organizational achievement and personal achievement.
- 5.12.6. Remuneration will be reviewed annually by the Board after taking independent advice.

- 5.12.7. Executive members will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company.
- 5.12.8. A formal and transparent procedure must be established for developing policy on executive remuneration and for fixing the remuneration packages of individual Board members.
- 5.12.9. No Board member will be involved in deciding his own remuneration.
- 5.12.10. The Board should report to the shareholders on remuneration and this should be included in the annual report and accounts.

5.13. Induction of new directors

- 5.13.1. The Remuneration and Nominations Committee is responsible for the assessment and nomination of potential new directors.
- 5.13.2. On appointment, non-executive directors will have the benefit of an induction programme aimed at deepening their understanding of the company and the business environment and markets in which the company operates that includes background material, meetings with senior management and visits to the company's facilities. The induction programme will entail the following:
 - 5.13.2.1. knowledge of the company (ownership power, rules, regulations and company law, board structure, membership and processes);
 - 5.13.2.2. knowledge of the business (business processes, corporate strategies, organisation, management and people);
 - 5.13.2.3. knowledge of the financials (annual financial statements , directors' reports, trends of the key financial ratios and financial performance of the business); and

5.13.2.4. expectations on appointment (discussions with Chairman with regards to the role, why nominated, potential contributions, particular knowledge, etc.).

5.13.3. New Board members with no or limited board experience shall receive development and education to inform them of their duties, including fiduciary responsibilities, powers and potential liabilities.

5.13.4. All Board members are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.

5.14. Succession planning

5.14.1. The Board as a whole shall be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election or re-election by the shareholders and to select, monitor, evaluate and replace the CEO and other senior executives when necessary.

5.14.2. The Board has delegated the screening process involved to the Remuneration and Nominations Committee with the direct input from the Chairman of the Board and the CEO (as appropriate).

5.14.3. The CEO shall inform the Board, from time to time, on senior management succession planning, also providing details of the company's programme for management development. There shall also be available the CEO's recommendations as a successor should be or she be unexpectedly disabled.

6. ROLE OF THE BOARD

6.1. The Board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to Sino Hua-An, identifying key risk areas and key

performance indicators of Sino Hua-An's business, monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards.

6.2. The Board is explicitly responsible for the stewardship of the company and in discharging its obligations, the Board assumes responsibility in the following areas:

- 6.2.1. retain full and effective control over the company, and monitor management in implementing Board plans and strategies;
- 6.2.2. ensure that a comprehensive system of policies and procedures is operative.
- 6.2.3. identify and monitor non-financial aspects relevant to the business;
- 6.2.4. ensure ethical behaviour and compliance with relevant laws and regulations audit and accounting principles, and the company's own governing documents and codes of conduct;
- 6.2.5. strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;
- 6.2.6. define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;
- 6.2.7. act responsibly towards the company's relevant stakeholders; and
- 6.2.8. be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly.

- 6.3 Having regard to its role, the Board is concerned with key elements of the governance processes underpinning the operation of the company with particular attention to the following:
- 6.3.1. review the strategic direction of the company and adopt business plans proposed by management for the achievement thereof;
 - 6.3.2. approve specific financial and non-financial objectives and policies proposed by management.
 - 6.3.3. review processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas;
 - 6.3.4. delegate authority for capital expenditure and review investment, capital and funding proposal reserved for Board approval;
 - 6.3.5. review succession planning for the management team and endorse senior executive appointments, organisational changes and high level remuneration issues;
 - 6.3.6. provide oversight of performance against targets and objectives; and
 - 6.3.7. provide oversight of reporting to shareholders on the direction, governance and performance of the company as well as other processes that need reporting and other disclosure requirements.
- 6.4. The day-to-day management will be in the hands of the CEO and management.

7. BOARD GOVERNANCE

7.1. Board procedures

- 7.1.1. The conduct of Board members will be consistent with their duties and responsibilities to the company and thus to the shareholders.
- 7.1.2. The directors will always act within limitations imposed by the Board of its activities.
- 7.1.2. Directors' responsibilities and limitations are primarily set out in the Articles, the Companies Act, 1965, the Listings Requirements of the Bursa Malaysia Securities Berhad, and Board and/or shareholders' resolutions.
- 7.1.4. The Board shall be disciplined in carrying out its role, with the emphasis on strategic issues and policy.
- 7.1.5. The Board's discussions will be open and constructive. The Chairman will seek a consensus in the Board but may, where considered necessary, call for a vote. Discussions and records will remain confidential unless a specific direction from the Board to the contrary.
- 7.1.6. The Board has sole authority over its agenda, however, any Board member may request an addition of an item on the agenda.
- 7.1.7. The Board members are entitled to have access, at reasonable times, to all relevant company information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to make informed decisions.
- 7.1.8. The Board members are expected to strictly observe the provisions of the Status applicable to the use and confidentiality of company information.
- 7.1.9. At each Board meeting the Board shall, *inter alia*, consider.

- 7.1.9.1. an operational report from the CEO;
 - 7.1.9.2. a report from the Chief Financial Officer;
 - 7.1.9.3. reports on the activities from the company's individual business units;
 - 7.1.9.4. specific proposals for capital expenditure and acquisitions; and
 - 7.1.9.5. major issues and strategic opportunities for the company.
- 7.1.10. There will be a procedure agreed by the Board for the furtherance of their duties to take independent professional advice, if necessary, at the company's expense.
- 7.2. From time to time, the Board will:
 - 7.2.1. review and evaluate the present and future strengths, weaknesses and opportunities in respect of the Company. Comparisons with competitors, locally and internationally, and best practice are important elements of this process;
 - 7.2.2. review and approve the company's financial objectives, plans and actions and significant allocation and expenditure;
 - 7.2.3. review the company's goals and the strategies for achieving the company's goals;
 - 7.2.4. approve the annual budget;
 - 7.2.5. approve the preliminary and half-yearly financial statements, annual report, other reports to shareholders and public announcements;
 - 7.2.6. consider and, if appropriate, declare or recommend the payment of dividends;
 - 7.2.7. review the Board's composition, structure and succession;

- 7.2.8. review the company's audit requirements;
- 7.2.9. review the performance of, necessity for and composition of the Board's committees;
- 7.2.10. review the Chairman's remuneration;
- 7.2.11. review the CEO's remuneration;
- 7.2.12. review the directors' remuneration;
- 7.2.13. review remuneration policies and practices in general, including superannuation and incentive schemes for management.
- 7.2.14. review risk assessment policies and controls, including compliance with legal and regulatory requirements;
- 7.2.15. review the company's codes of conduct and ethical standards;
- 7.2.16. review shareowner, client and other relevant stakeholder relations;
- 7.2.17. review donations and sponsorships; and
- 7.2.18. settle the following year's work plan for the Board.

8. BOARD COMMITTEES

- 8.1. The Board is authorised to form committees and Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making to assist the Board in the execution of its duties, power and authorities. Delegating authority to Board committees or

management does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.

- 8.2. There shall be transparency and full disclosure from the Board committees to the Board, except where the committee has been mandated otherwise by the Board.
- 8.3. Board committees will observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise.
- 8.4. Board committees will only speak or act for the Board when so authorised. The authority conferred on a Board committee will not derogate from the authority delegated to the CEO by the Board.
- 8.5. The Board has three standing committees, namely the Audit Committee, the Remuneration Committee and the Nominations Committee.
- 8.6. The purpose and membership of the Board committees are as follows:

- 8.6.1. Audit Committee

- 8.6.1.1. The Committee consists of three non-executive directors. It shall be chaired by an independent non-executive director.

- 8.6.1.2. The Committee's primary objective is to:

- (a) identify and evaluate exposure to significant risks;
 - (b) review the appropriateness and adequacy of the systems of internal financial and operational control;

- (c) review the accounting policies and financial information issued to the public; and
- (d) provide effective communication between the Board, management, and internal and external auditors.

8.6.2. Remuneration Committee.

- 8.6.2.1. The Committee consists of three non-executive directors. It shall be chaired by an independent non-executive director.
- 8.6.2.2. The purpose of this Committee is to approve a broad remuneration strategy and to ensure that executive directors and senior executives reporting to the CEO are adequately remunerated for their contribution to Sino Hua-An's operating and financial performance in terms of base pay and short and long terms incentives. It also makes recommendations to the Board on non-executive director fees.
- 8.6.2.3. The Committee assesses the effectiveness of the Board composition and evaluates the performance of all Board members and senior executives, on an annual basis.

8.6.3. Nomination Committee.

- 8.6.3.1. The Committee consists of three non-executive directors. It shall be chaired by an independent non-executive director.
- 8.6.3.2. The purpose of this Committee is to search for, evaluate the suitability and nominate new members to the Board as and when necessary and appropriate to do so.

9. MATTERS RESERVED FOR THE BOARD

- 9.1. The following matters shall be reserved for decision by the Board, supported by any recommendation as may be made from time to time by the committees of the Board (as appropriate):

9.1.1. Financial

- 9.1.1.1. The adoption of any significant change or departure in the accounting policies and practices of the company and its subsidiaries;
- 9.1.1.2. the raising of borrowing facilities;
- 9.1.1.3. the approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans;
- 9.1.1.4. the approval of annual financial statements, the approval of interim reports, the valuation of unlisted investments, the declaration of dividends and the forfeiture of unclaimed dividends; and
- 9.1.1.5. the recommendation to shareholders of any increase, reduction or alteration to the share capital of the company and the allotment, issue or other disposal of shares of the company (except for shares allotted under any share incentive scheme).

9.2. Statutory and Administrative

- 9.2.1. recommending amendments to the Memorandum or Articles of the company;

- 9.2.2. the appointment, removal or replacement of the external auditor of the company upon the recommendation of the Audit Committee;;
- 9.2.3. the frequency of meetings of the Board;
- 9.2.4. the convening of general meetings of shareholders of the company;
- 9.2.5. the approval of proxy forms for annual and general meetings of shareholders of the company;
- 9.2.6. the formulation of recommended policies in relation to industrial relations;
- 9.2.7. the prosecution, defense or settlement of legal or arbitration proceedings where material and except in the ordinary course of business;
- 9.2.8. the appointment of responsible persons as may be required in terms of any Act in Malaysia or elsewhere in respect of the company;
- 9.2.9 the approval of the rules and amendments to the company's pension and provident funds having a material effect on the actuarial liabilities of those funds;
- 9.2.10. the granting of general signing authorities pursuant to the Articles of the company;
- 9.2.11. the appointment, removal or replacement of the company secretary;
- 9.2.12. establishing any overseas branch or duplicate register of shareholders of the company;

- 9.2.13. the variation of the rights attaching to shares where such powers are vested in the Board; and
- 9.2.14. the formulation and amendment of the company's Code of Conduct.

9.3. Regulatory

- 9.3.1. The approval of terms and conditions of the company's rights issues, public offers, capital issues or issues of convertible securities including shares or convertible securities issued for acquisitions;
- 9.3.2. the approval and authority to issue circulars to shareholders of the company;
- 9.3.3. the approval of and authority to issue prospectuses, listing particulars, rights offers or takeover or merger documents;
- 9.3.4. recommending to shareholders that they approve any ordinary or special resolutions in respect of the company;
- 9.3.5. recommending that the shareholders take a particular course of action proposed by the Board; and
- 9.3.6. any decision to list the company's shares on any stock exchange or to terminate any such listing.

9.4. Manpower

- 9.4.1. Appointments to and removals from the Board including the appointment of the Chairman, any Deputy Chairman, CEO, executive directors and non-executive directors, and the approval of nominations of alternate directors (if any) as recommended by the Nominations Committees;
- 9.4.2. the appointment of, terms of reference and changes in the composition of the committees of the Board as are established from time to time;
- 9.4.3. any increase of Board members' fees as recommended by Remuneration Committee, which shall finally be approved by shareholders in a general meeting;
- 9.4.4. the approval of any employee incentive scheme, the rules applicable to any such scheme and any amendment to such rules as recommended by the Remuneration Committee, for submission to shareholders, if applicable; and
- 9.4.5. the formulation of recommended policies in relation to equal opportunity employment, human capital development, environment, health and safety.

- 9.5. Constituting part of this Board Charter is a "general enabling resolution" which deals with the authority of certain directors and officials to settle terms of contracts and to bind and entitle the company.

10. MANAGEMENT OF RISKS

- 10.1. The Board is responsible for the total process of risk management and uses the risk assessment monitor as its main source of information to determine the effectiveness of Sino Hua-An's risk management process.

- 10.2. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed – internally and externally.
- 10.3. The Board must appreciate the business risk issues and key performance indicators affecting the ability of the company to achieve its strategic purpose and objectives.
- 10.4. The Board must ensure that appropriate systems are in place to manage the identified risks, measure the impact and to proactively manage it, so that the company's assets and reputation are suitably protected.

11. BOARD MEETINGS

- 11.1. Board members will use their best endeavours to attend Board meetings and to prepare thoroughly. Board members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Board members who are unable to attend shall advise the Chairman at an early date, and confirm in writing to the company secretary.
- 11.2. Frequency and Quorum
 - 11.2.1 Meetings of the Board will be held at such time and at such venue as the Board deems appropriate, but it will normally meet at least quarterly or where circumstances necessitate.
 - 11.2.2. The quorum necessary for the transaction of business is fixed by the Articles, which currently is two.
 - 11.2.3. In addition to the matters set out in this Board Charter, meetings and proceedings of the Board will be governed by the company's Articles.

11.2.4. Except under exceptional circumstances, at least 14 days' notice will be given of a meeting of the Board.

11.2.4. The Chairman must establish standards for preparation of board papers and reports.

11.3. Agenda and meeting papers

11.3.1. The Chairman must ensure that an agenda is prepared prior to the meeting, raising issues that require attention, ensuring that proceedings are conducted efficiently and all appropriate matters addressed. The company secretary must also work with the Chairman on preparing the agenda.

11.3.2 The company secretary must circulate the agenda and other meeting papers to the Board members at least seven working days before the date set down for the meeting.

11.4. Conflicts of Interest

11.4.1. Board members are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business, preferably in advance.

11.4.2. Board members are required to disclose their shareholdings in Sino Hua-An, other directorships and any potential conflict of interest.

11.4.3. Board members should absent themselves from discussion or decisions on matters in which they have a conflicting interest, unless resolved otherwise by the remaining members of the Board.

11.5. Retention of meeting papers

- 11.5.1. A record of Board submissions and papers, and of material presented to the Board, shall be maintained and held by the company secretary together with the minutes of meetings and will be accessible to directors.

11.6. Minutes

- 11.6.1. Minutes of the Board meeting will be circulated to all members of the Board by the company secretary within one week of the date of the Board meeting.
- 11.6.2. The practice for minutes shall be to record processes and outcomes, rather than the course of discussion.

12. SHARE DEALINGS BY MEMBERS

- 12.1. Board members are encouraged to hold shares in the company, recognizing that this has the capacity, in many cases, to increase the focus of Board members on company performance and share value and therefore will be in the interests of all shareholders.
- 12.2. When buying or selling shares, Board members must strictly observe the provisions of the company's Articles, the company's own internal rules and all relevant legislative or regulatory procedures, and should follow any procedural recommendations prescribed by the Board from time to time.

13. BOARD EVALUATION AND PERFORMANCE

- 13.1. The Remuneration Committee evaluate the performance of the Board members and senior executives on an annual basis.

- 13.2. This shall take the form of a questionnaire comprising a self-evaluation of the Board as a whole, and the responses will be collected and collated by the Chairman who then shall discuss the results with the Board after consideration of the findings.
- 13.3 The Board shall appraise the performance of the Chairman on an annual or such other basis as the Board may determine, in terms of a performance assessment questionnaire.
- 13.4 The Board committees shall also regularly be reviewed by the Board to ascertain their performance and effectiveness.

14. BOARD'S RELATIONSHIP WITH SHAREHOLDERS

- 14.1. The Board must endeavour to familiarise itself with issues of concern to shareholders.
- 14.2. The company encourages shareholders to attend its annual general meetings, which provide opportunities for shareholders to ask questions of the Board.
- 14.3. The Board will evaluate economic, political, social and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the shareholders and, if appropriate, take outside expert advice.

15. COMPANY SECRETARY

- 15.1. The company secretary has a key role to play in ensuring that board procedures are both followed and reviewed regularly, and has the responsibility in law to ensure that each Board member is made aware of and provided with guidance as to their duties, responsibilities and powers.
- 15.2. It is the responsibility of the Board, and in its own best interests, to ensure that the company secretary remains capable to fulfill the function or which they have been appointed, and the appointment and removal of the company secretary is a matter for the Board as a whole.

- 15.3. The company secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with its efficient operation are maintained.
- 15.4. The company secretary must maintain statutory books in accordance with legal requirements
- 15.5. In addition to the statutory duties of the company secretary, he must provide the Board as a whole and the Board members individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the company.
- 15.6. The company secretary should provide a central source of guidance and advice to the Board and its committees on issues including compliance with rules and procedures, statutory regulations and listing requirements.
- 15.7. The company secretary must keep abreast of, and inform, the Board of current governance thinking and practice.
- 15.8. The Board members have unlimited access to the company secretary.