

## Corporate Governance Overview Statement

The Board recognises the importance of practicing high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Group.

The Board is pleased to present this statement which outlines the key aspects of how the Company has applied the principles of the Malaysian Code on Corporate Governance ("Code") throughout the financial year ended 31 December 2018. The detailed explanation on the application of the corporate governance practices are reported under the Corporate Governance Report as published in the Company's Website at [www.sinohuaan.com](http://www.sinohuaan.com) ("Company Website").

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### Board Responsibilities

#### 1.0 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.

- (i) The Board consists of members from different backgrounds and diverse expertise in leading and directing the Group's business operation. The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to three main committees namely the Audit and Risk Management Committee ("ARMC"), Remuneration Committee ("RC") and Nomination Committee ("NC"). These committees operate within the defined Constitution or Terms of References that have been approved by the Board, in which these committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.
- (ii) The roles of the Chairman and the Managing Director as well as the terms of reference of the committees are mentioned in detail in the Board Charter which is made available in the Company's Website.
- (iii) The Group is led by an experienced and effective Board who provides oversight, strategic direction and entrepreneurial leadership. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business operations is delegated to the Managing Director. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The positions of Chairman and Managing Director are held by two (2) separate and distinct individuals in order to maintain an effective segregation of duties. The division of responsibilities is defined in the Board Charter.

The Chairman, Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar plays an important leadership role within the Group and is responsible for:

- Providing the overall strategic directions to the Group and working closely with Board members to realise the agreed upon objectives and goals.
- Representing the Board on matters pertaining to the Group's affairs when engaging with shareholders and the general public.
- Ensuring the integrity and effectiveness of the governance process of the Board.
- Ensuring the Board meetings are properly conducted and all Directors are properly briefed on issues arising at the board meetings.
- Maintaining on-going dialogue and relationship of trust with and between the Directors and Management.
- Ensuring a close link between the Board and the Managing Director and working closely with the latter on all important matters pertaining to the Group.

The Managing Director, Mr. Liu Guodong, is responsible for the management of the financial and operational matters in accordance with the strategic direction established by the Board. He is also responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the realisation of the Group's goals and objectives.



Corporate Governance Overview Statement  
(Cont'd)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Board Responsibilities (Cont'd)**

**1.0 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. (Cont'd)**

- (iv) The Board is supported by professionally qualified and competent Company Secretaries when carrying its roles and responsibility. The Company Secretaries play roles in ensuring the adherence to the Board, Board Committees and shareholders meeting procedures, corporate policies and procedures, Main Market Listing Requirements ("MMLR") of Bursa Securities and other regulatory requirements.

The Chairman and the Board stood guided by the Company Secretaries on what their responsibilities, duties and conduct are, as prescribed under the Companies Act, 2016 as well as how these affairs are expected to be discharged. In addition, all Board members of the Group have unrestricted access to procure the advice and services of the Company Secretaries, as and when required. The Company Secretaries will also work with the Chairman as and when required, to ensuring effective and efficient functioning of the Board.

With the release of the Code, the Companies Secretaries had carried out a comparative review of existing practices against those recommendations under the Code. The Board and respective Board Committees were also updated on the areas for improvements and/or revision in order to satisfy and meet the intent of the Code.

- (v) In addition to the mandatory quarterly Board meetings, the Board had also convened formal meetings as and when required to deliberate on important/material issues which require its attention. All Directors are provided with an agenda and the relevant board papers were issued at least seven (7) days from the date of the scheduled Board Meetings either by hand, courier service and/or electronic mails where specifically requested so as to ensure that the Directors have sufficient time to assess and consider the issues to be deliberated and to obtain further explanations beforehand, where necessary.

In addition, there is a schedule of matters reserved specifically for the Board's decision, should there be any requirement for approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretaries and are updated on new statutory regulations or requirements concerning their duties and responsibilities. They may also obtain independent professional advice from External Auditors and/or any other professional parties at the Company's expense in furtherance of their duties.

The Board also ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the Board also ensures the minutes are circulated in a timely manner.

**2.0 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.**

The Board has formally established a Board Charter that clearly sets out the roles and responsibilities, composition and processes related to key governance activities. The Board will periodically review the Board Charter which is published on the Company's Website. The Board last reviewed the Board Charter on 28 February 2019.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### Board Responsibilities (Cont'd)

#### **3.0 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.**

- (i) The Board has formalised a code of conduct for its directors which is incorporated in the Code of Ethics and Business Conduct. This Code is published on the Company's Website. The Board would periodically review the said Code of Ethics and Business Conduct and the last review was done on 28 February 2019.
- (ii) The Board encourages employees to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, dangers to health and safety or to the environment.

The Group has also established a whistleblowing policy underlining its objectives, scope of policy, policy statement, reporting procedures and action in the Whistleblowing Policy. This Policy, is attached for reference on the Company's Website and is reviewed on a periodic basis, the last being on 28 February 2019.

- (iii) The Company also gives attention to the environment, social and governance (ESG) aspects of doing business in the future to ensure long-term viability and sustainability of the Company's business.

### Board Composition

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

- (i) The Board currently consists of two (2) Executive members (comprising, the Executive Chairman and Managing Director) and three (3) Non-Executive members (comprising, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director). Premised on the above, the composition of the Board complies with paragraph 15.02 of the MMLR.

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Managing Director. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of other minority shareholders/stakeholders.

The Board considers that the current size and composition of the Board is adequate and facilitates effective decision-making. The NC has reviewed the present composition of the Board and the three main existing committees, namely the ARMC, RC and NC and is satisfied that they have adequately carried out their functions within their scope of work.

Following the unexpected demise of Y. Bhg. Dato' Mohd. Shahar bin Abdul Hamid (formerly assuming the position as an Independent Non-Executive Director) on 25 January 2019, the Group fell short of meeting the Code which requires at least half of the Board members to be made up of Independent Directors. Notwithstanding the above circumstance, the Board will make efforts to seek another member to fill the void left by the late Y. Bhg. Dato' Mohd. Shahar bin Abdul Hamid, as soon as practicable.



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(Cont'd)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Board Composition (Cont'd)**

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

- (ii) The Board takes cognisance that the Practice 4.2 of the Code recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his/her re-designation as a non-independent non-executive director. In the event such director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12) year annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.

Presently, one (1) of the Company's Independent Directors namely, Ms. Lim See Tow has served the Board for more than nine (9) years and would exceed a cumulative term of twelve (12) years prior to the next AGM in year 2020.

The Nomination Committee and Board had assessed the independence of Ms. Lim See Tow and recommended that she be re-appointed as an Independent Non-Executive Director as she continue to bring independent and objective judgement to board deliberations and continue to meet the following criteria for independence in discharging her roles and functions as Independent Non-Executive Director of the Company subject to the approval from the shareholders of the Company through a two-tier voting process:

- fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Securities;
  - ensured effective check and balance in the proceedings of the Board and the Board Committees;
  - actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party;
  - devoted sufficient time and attention to her responsibilities as an Independent Non-Executive Director of the Company; and
  - exercised her due care in the interest of the Company and shareholders during her tenure as an Independent Non-Executive Director of the Company.
- (iii) The Board also recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensuring that the Independent Directors are capable to exercise independent judgment and act in the best interests of the Group.

The Independent Directors of the Company fulfil the criteria under the definition of Independent Director pursuant to the MMLR of Bursa Securities. They act independently of the Management and are not involved in any relationship with the Group, business or otherwise, that may impair their independent judgment and decision making.

Each Director has a continuing responsibility to determine whether he/she has a potential or actual conflict of interest in relation to any material transactions. Such a situation may arise from external associations, interests or personal relationships. Should there be any, the Director concerned is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the said matters.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### Board Composition (Cont'd)

#### 4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

The NC and/or Board is guided by the Board Charter in assessing the independence of candidates, whether current or prospective, to assume the role as Independent Director of the Company. Each independent director had completed their own Independent Director checklist and the NC had carried out the relevant assessment of the Independent Directors at its meeting on 28 February 2019. Each independent director abstained from deliberation on his own assessment. Following therefrom, the NC was satisfied that all the Independent Directors are fit and still maintain their independence.

- (iv) The Board appoints its members through a formal and transparent selection process. New appointees will be considered and evaluated by the NC after taking into consideration the candidates' skills, knowledge, expertise, experience, professionalism and integrity and women candidates shall be sought as part of its recruitment exercise in an effort to promote gender, ethnicity and age group diversity within the organisation.

For the position of independent non-executive directors, the NC will evaluate the candidates' ability to discharge such responsibilities expected of a person assuming such a position. The NC shall also consider candidates for directorships proposed by the Managing Director and within the bounds of practicality, by any other senior management or any director or shareholder, as well as seeking references from outside the Group such as panel of independent directors or professional executive search firms, etc, if deemed necessary and appropriate.

Upon identifying and evaluating the prospective candidate(s) from the abovementioned source, the NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that all relevant legal and regulatory requirements in regards to the said appointment are satisfactorily complied with.

- (v) The re-election of Board members are also done in accordance with the Company's Articles of Association, whereby one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1), shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

Newly appointed directors shall hold office only until the next AGM and shall be eligible for re-election. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group for those Director standing for election or re-election, as the case may be, are furnished in the Annual Report accompanying the Notice of AGM.

During the financial year, Mr. Zhai Baoxing was nominated and appointed to the Board with effect from 12 November 2018. Accordingly, pursuant to Article 101 of the Company's Articles of Association, Mr. Zhai Baoxing's tenure on the Board shall deemed to end at the forthcoming AGM, and being eligible, he has offered himself for re-election.

The NC is also responsible for recommending to the Board those relevant Directors who are eligible to stand for re-election/re-appointment. The NC had assessed and was satisfied and accordingly made recommendations to the Board for the re-election with regards to the two (2) directors, namely Mr. Liu Guodong and Ms. Lim See Tow, both of whom are due for retirement but shall be eligible for re-election pursuant to Article 95 of the Company's Articles of Association at the forthcoming AGM.

The profiles of these Directors are set out on pages 10 to 11 of the Annual Report.



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**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Board Composition (Cont'd)**

**4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)**

- (vi) The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of the Code. The Board currently has one (1) female director.

The Company has adopted a Gender-Ethnicity-Age Diversity Policy and the said document is attached on the Company's Website.

The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. These are determined without regard to the candidate's gender, ethnicity nor age, as prescribed in the abovementioned Gender-Ethnicity-Age Diversity Policy, as recommended by the Code to promote the representation of women (as well as other segments of the society) in the composition of the Board.

- (vii) All directors of the Company do not hold more than (5) five directorships in public listed companies, pursuant to Paragraph 15.06 of the MMLR.

The Directors holding office during the financial year 2018 have ensured their time commitment to discharge their duties effectively, as they do not hold more than (5) five directorships in the public listed companies, detailed as below:

Name	No. of directorship in public listed companies
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	3
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid (demised on 25 Jan 2019)	1
Liu Guodong	1
Cedric Choo Sia Teik (resigned w.e.f. 18 Oct 2018)	1
Lim See Tow	1
Liu Xueqiang	1
Zhai Baoxing (appointed w.e.f. 12 Nov 2018)	1

While there is no restriction on directorships in non-listed companies, Directors are aware that they should avoid over commitment in multiple directorships which may affect their performance in carrying out their role as Directors of the Company.

The annual calendar of at least four (4) Board meetings are tentatively set each year for the benefit of the Directors to enable them pre-plan their respective schedules. However the exact date(s) of the said meetings will be confirmed at least one (1) month prior to the convening of the respective meeting(s) and the notice(s) of meeting to the Directors will be despatched to the respective Directors at least seven (7) days prior to the convening of the said meeting(s).

Corporate Governance Overview Statement  
(Cont'd)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Board Composition (Cont'd)****4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)**

In addition to the abovementioned four (4) Board meetings, additional Board meetings will be convened as and when necessary to deliberate on matters of importance that have not been deliberated or concluded in the earlier Board meetings.

Besides Board meetings, the Board is also disposed to the avenue of deliberating matters that require Board's approval through Circular Resolutions. However, the Board endeavours to avoid this alternative route for deliberation and only rely on it as an option of last resort for matters which are urgent/time-sensitive which arise in between the scheduled meetings and that the Directors are not able to meet in person. In accordance with the Articles of Association of the Company, a signed and approved resolution by the majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors.

During the financial year ended 31 December 2018, a total of six (6) Board Meetings were held. The attendance record of each of the Directors is as follows:-

Board of Directors' Meeting		27 Feb 18'	19 Mar 18'	28 May 18'	27 Jul 18'	12 Nov 18'	13 Dec 18'		
Directors	Position	Attendance						Total	%
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Executive Chairman	✓	✓	✓	✓	✓	✓	6/6	100
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid ( <i>demised on 25 Jan 2019</i> )	Senior Director; Independent Non-Executive Director	✓	✓	✓	✓	✓	x	5/6	83
Liu Guodong	Managing Director	✓	✓	✓	✓	✓	✓	6/6	100
Cedric Choo Sia Teik ( <i>resigned w.e.f. 18 Oct 2018</i> )	Executive Director	✓	✓	✓	✓	n/a	n/a	4/4	100
Lim See Tow	Independent Non-Executive Director	✓	✓	✓	✓	✓	✓	6/6	100
Liu Xueqiang	Non-Independent Non-Executive Director	✓	✓	✓	✓	x	✓	5/6	83
Zhai Baoxing ( <i>appointed w.e.f. 12 Nov 2018</i> )	Independent Non-Executive Director	n/a	n/a	n/a	n/a	n/a	✓	1/1	100





Corporate Governance Overview Statement  
(Cont'd)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Board Composition (Cont'd)**

**4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)**

- (viii) As required under the MMLR, all the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP"). The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

During the financial year ended 31 December 2018, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

<b>Title</b>	<b>Organiser</b>
• <i>Introduction to Corporate Liability Provision: "What it is, how will my company be affected, and what do I need to put in place by way of safeguards?"</i>	Malaysian Institute of Corporate Governance
• <i>4<sup>th</sup> International Sustainable Energy Summit (ISES) 2018 - Sustainable Energy : The Future is Here</i>	Sustainable Energy Development Authority (SEDA)
• <i>Training on Corporate Liability</i>	Skrine & Co
• <i>Seminar – Gearing up for corporate liability</i>	Malaysia Anti-Corruption Agency
• <i>Independent Directors Programme – The essence of Independence</i>	The Iclif Leadership and Governance Centre
• <i>Training course on Malaysian Financial Reporting Standards (MFRS) – Practical Approach to Accounting for Financial Instruments: Applying MFRS 9 and MFRS 132</i>	Malaysian Institute of Accountants
• <i>MIA Ethics Seminar</i>	Malaysian Institute of Accountants

**5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.**

The Company conducts an annual assessment to evaluate the effectiveness of the Board and the Board Committees as well as the performance of each individual Director through the NC.

The NC of the Company comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors. The composition of the NC are as follows:

- Chairperson : **Lim See Tow**  
*Independent Non-Executive Director*  
*(re-designated on 28 February 2019 following the demise of Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid)*
- Members : **Zhai Baoxing**  
*Independent Non-Executive Director*  
*(appointed w.e.f. 28 February 2019)*
- : **Liu Xueqiang**  
*Non-Independent Non-Executive Director*



## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### Board Composition (Cont'd)

#### 5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. (Cont'd)

The NC, in discharging its duties, is guided by the Terms of Reference, which is available on the Company's Website. The Terms of Reference of the NC was reviewed on 28 February 2019.

The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide-Towards Boardroom Excellence.

The ARMC carried out its evaluation with the view to maximise the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 28 February 2019 and observed that the performance of the Board and Board Committees, in terms of its structure, operations, and roles and responsibilities was consistently strong.

During the financial year ended 31 December 2018, the NC held one (1) meeting to undertake the following activities:

- (1) Reviewed the Performance Evaluation Forms for Directors and Board Committees;
- (2) Reviewed the effectiveness of the Board as a whole and of the Board Committee;
- (3) Reviewed the terms of office and performance of the ARMC and each of its members;
- (4) Assessed the independence of each of the existing Independent Directors with each director abstaining from deliberation on his own assessment;
- (5) Recommended to the Board, directors who are retiring by rotation and to be put forward for re-election;
- (6) Reviewed and recommended to the Board to seek shareholders' approval at the forthcoming AGM for Directors who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years and are eligible and fit to continue to assume the role as Independent Non-Executive Director;
- (7) Reviewed the Terms of Reference of NC; and
- (8) Reviewed the independence, experience and skill set of a proposed candidate i.e. Mr. Zhai Baoxing and recommended to the Board on the appointment of the same for the position as Independent Non-Executive Director.



Corporate Governance Overview Statement  
(Cont'd)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**Remuneration**

**6.0 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. The remuneration policies and decisions are made through a transparent and independent process.**

(i) Remuneration Committee

The RC comprises the following members:

- Chairperson : **Lim See Tow**  
*Independent Non-Executive Director*
- Members : **Zhai Baoxing**  
*Independent Non-Executive Director*  
*(appointed w.e.f. 28 February 2019)*
- : **Liu Xueqiang**  
*Non-Independent Non-Executive Director*

During the financial year ended 31 December 2018, the RC had one (1) meeting to carry out its function. The details on the functions of the RC are set out in the Terms of Reference, which is available in the Company's Website.

(ii) Remuneration Policy

The RC determines and advises the Board on the broad policy for remuneration of the Company's Executive Chairman, Managing Director, Executive Directors and senior members of the Company as the RC is directed to consider. The RC also determines and recommends to the Board any performance related pay schemes for Executive Directors.

**7.0 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.**

(i) Directors' Remuneration

The aggregate remuneration of the Directors received from the Company and the Group for the financial year ended 31 December 2018 are set out below:-

A. Aggregate Remuneration

	Company		Group	
	Executive Directors RM	Non-executive Directors RM	Executive Directors RM	Non-executive Directors RM
Salary	650,000	–	969,710	–
Fees	–	60,000	–	90,000
Allowances	–	13,850	–	23,814
Other emoluments	78,770	–	78,770	–
<b>Total</b>	<b>728,770</b>	<b>73,850</b>	<b>1,048,480</b>	<b>113,814</b>

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(Cont'd)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Remuneration (Cont'd)****7.0 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. (Cont'd)**

## (i) Directors' Remuneration (Cont'd)

## B. Individual Director Remuneration

	Salary RM	Fee RM	Allowances RM	Emoluments RM
<b>Executive Directors</b>				
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	420,000	–	–	50,400
Liu Guodong	319,710	–	–	–
Cedric Choo Sia Teik (resigned w.e.f. 18 Oct 2018)	230,000	–	–	28,370
<b>Non-Executive Directors</b>				
Y. Bhg. Dato' Mohd Shahr Bin Abdul Hamid (demised on 25 Jan 2019)	–	30,000	6,550	–
Lim See Tow	–	30,000	7,300	–
Liu Xueqiang	–	30,000	9,964	–
Zhai Baoxing (appointed w.e.f. 12 Nov 2018)	–	–	–	–

## C. Key Management Remuneration (by Band)

Key management personnel of the Group whose total remuneration during the financial year ended 31 December 2018 are as follows:

	NAME				
	Yan Bindong	Liu Meng Ming	Song Xiguo	Foong Chong Thong	Qiu Hong Guang
	(General Manager)	(Operations Manager)	(Safety Manager)	(Group Financial Controller)	(Marketing Manager)
RM50,000 and below					✓
RM50,001 – RM100,000			✓		
RM100,001 – RM150,000		✓			
RM150,001 – RM200,000				✓	
RM200,001 – RM250,000					
RM250,001 – RM300,000	✓				



Corporate Governance Overview Statement  
(Cont'd)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committee

**8.0 There is an effective and independent Audit and Risk Management Committee. The Board is able to objectively review the Audit and Risk Management Committee's findings and recommendations. The company's financial statement is a reliable source of information.**

- (i) The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the ARMC to oversee the Group's financial reporting processes and the quality of its financial reporting.
- (ii) The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 2016 and the MMLR of Bursa Securities have been applied or complied with, as the case may be.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.

The Directors also have a general responsibility for taking such steps as are reasonably available to them to safe guard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Group's financial position and business prospects in the Directors' Report and the Financial Statements of this Annual Report.

- (iii) An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the MMLR. The ARMC reviews and reports to the Board for consideration of any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.
- (iv) The ARMC assesses the suitability and independence of the External Auditors on an annual basis. Areas of assessment includes amongst others, the External Auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and the relevant Partner's involvement. The inputs and feedback from the management who engages directly with the external audit team throughout the financial year would also be referred to by the ARMC in its consideration of the suitability of the External Auditor.

The External Auditors, in supporting their independence, will provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Accordingly, the External Auditors have provided such declaration in their annual audit planning memorandum presented to the ARMC of the Company during the financial year.

The External Auditors of the Company fulfil an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

### Audit Committee (Cont'd)

#### **8.0 There is an effective and independent Audit and Risk Management Committee. The Board is able to objectively review the Audit and Risk Management Committee's findings and recommendations. The company's financial statement is a reliable source of information. (Cont'd)**

The External Auditors have an obligation to bring to the attention of the Board of Directors, the ARMC and Company management any significant shortcomings, if any, in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The External Auditors of the Company are invited to attend at least two (2) meetings with the ARMC a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the ARMC will also have private sessions with the External Auditors without the presence of the management to enable exchange of views on issues, if any, that are deemed to require attention.

During the financial year ended 31 December 2018, the amount of audit fee and non-audit fee paid to the External Auditors by the Company and the Group were as follows:-

	<b>Group RM</b>	<b>Company RM</b>
Audit fees	436,424	60,000
Non-Audit fees	30,000	30,000

The non-audit fees were in respect of review of the Statement of Risk Management and Internal Control, as well as the provision of other professional services.

In considering the nature and scope of non-audit fees, the ARMC was satisfied that they were not likely to create any conflict of interests or impair the independence and objectivity of the External Auditors.

The ARMC and the Board are satisfied with the performance, competency and independence of the External Auditors and the Board had accordingly recommended their re-appointment as the Company's External Auditor for shareholders' approval at the forthcoming AGM.

The key features underlying the relationship of the ARMC with External Auditors are included in the Summary of Works of the ARMC as detailed in Audit and Risk Management Committee Report section of this Annual Report.



Corporate Governance Overview Statement  
(Cont'd)

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**Risk Management and Internal Control Framework**

**9.0 Company makes 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.**

- (i) The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets. These controls provide reasonable but not an absolute assurance against material misstatement, loss or fraud.
- (ii) The Company has in place an on-going process for identifying, evaluating and managing key risks that may affect the achievement of the business objectives of the Group. Towards cultivating a sustainable risk management culture, risk management principles and practices are embedded into existing key processes across different functions within the Group.

**10.0 Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.**

- (i) The Group's internal audit function is carried out by an in-house Internal Audit Department which reports directly to the ARMC. The scope of the Internal Audit, among others include providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

The information on the Group's Internal Control is presented in the Audit and Risk Management Report section of this Annual Report.

- (ii) The Board ensures that the disclosure of material information pertaining to the Group's performance and operations to the public is in accordance with the disclosure requirements under the MMLR of Bursa Securities and/or other applicable laws and regulations. Confidential information is restricted to top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries, if any.

The Company has a Corporate Disclosure Policy that governs the dissemination of corporate information. The said Corporate Disclosure Policy can be found on the Company's Website.

- (iii) The Board has established a dedicated section for corporate information on the Company's Website where information on the Company's announcements, financial information, share prices and analysts' reports can be accessed.

Shareholders and members of the public are invited to access the Company's Website at [www.sinohuaan.com](http://www.sinohuaan.com) and Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com) to obtain the latest information on the Group.

## **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### **Communication with Stakeholders**

**11.0 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.**

The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.

The Company keeps shareholders informed by way of announcements and timely release of quarterly financial results through Bursa Link, press releases, annual report and circular to shareholders, should it be necessary.

Any query and concern regarding the Group may be conveyed to the Company's at:-

Telephone no. : (603)-7733 7180  
Facsimile no. : (603)-7733 7170  
Email : info@sinohuaan.com

### **Conduct of General Meetings**

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

- (i) The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 28 days before the said meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification, should it be required, on issues and concerns raised by shareholders. In the event that an answer cannot be readily given at the meeting, the Company will undertake to provide a written reply to the shareholder at a later date.
- (ii) All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board makes an announcement of the detailed results showing the number of votes casted for and against each resolution at general meetings for the shareholders' information.

This Statement was approved by the Board of Directors on 25 March 2019.