

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 2739  
**COMPANY NAME** : Sino Hua-An International Bhd  
**FINANCIAL YEAR** : December 31, 2019

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter of the Company indicates that 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.</p> <p>The Board delegates certain responsibilities to the Board Committees, the Executive Directors, and the Management.</p> <p>In 2019, the Board has successfully carried out the diversification exercise of venturing into other areas of business i.e. internet of things and food and beverage industries, in an effort to mitigate the risks of solely relying on only one business source i.e. production and sales of metallurgical coke which in turn is heavily dependent on a single industry, i.e. the steel industry.</p> <p>Such new ventures also serve as a repositioning strategy as well as an opportunity to establish the Group's footprint in Malaysia, so that its investors/shareholders can have a better appreciation of the Group.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman's responsibilities as stated in the Board Charter of the Company are as follows:-</p> <ul style="list-style-type: none"><li>• Responsible for representing the Board to the shareholders and indirectly to the general public for performance.</li><li>• Responsible for ensuring the integrity and effectiveness of the governance process of the Board.</li><li>• 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.</li><li>• 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.</li><li>• Responsible for maintaining regular dialogue with the Chief Executive Officer/Managing Director ("CEO/MD") 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.</li><li>• 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.</li><li>• Between Board meetings the Chairman shall maintain an informal link between the Board and the CEO/MD, expect to be kept informed by the CEO/MD on all important matters, and is available to the CEO/MD to provide counsel and advice where appropriate.</li></ul> <p>Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, the Chairman of the Board who is also a substantial shareholder in the Company, has provided effective leadership, strategic direction and necessary governance to the Group.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The separate roles and responsibilities of the Chairman and CEO/MD are provided in the Board Charter of the Company.</p> <p>The positions of Chairman and CEO/MD are held by two different individuals. The Chairman is Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar. The CEO/ MD of the Company is Mr. Liu Guodong.</p> <p>The separate roles of the Chairman and CEO/MD ensure that there is a balance of power and authority as no one individual has unfettered decision-making powers.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Ms. Chua Siew Chuan and Ms. Chin Mun Yee are the Company Secretaries of the Company, both of whom are Chartered Company Secretaries of MAICSA.</p> <p>The Board members have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Company Secretaries advise the Board on the Company's Constitution, Board's policies and procedure and compliance with the relevant regulatory requirements, codes or guidance and legislations (or any amendments thereto) as and when required. The Board is regularly updated and apprised by the Company Secretaries who are experienced, competent and knowledgeable, on the laws and regulations, as well as directives issued by the regulatory authorities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Annual meeting calendar is prepared and circulated for the Board's consent in advance of each new year. This is to facilitate the Board's schedule and advance preparation for the meetings.</p> <p>All members of the Board are supplied with information in a timely manner. Board reports and papers are circulated in advance at least seven days prior to Board meetings to enable Directors to obtain further information and explanations, where required, before the meetings. Minutes of meetings, which accurately reflect the deliberation and decisions of the Board are also circulated within a reasonable period of time upon conclusion of each meeting. Meeting minutes will be signed by the Chairman of the meeting to confirm the accuracy of the minutes. Matters that require further action by the Management would stay as matters arising in the Minutes of meetings until it is resolved.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board Charter of the Company regulates 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.</p> <p>The Board Charter is subject to review from time to time. A copy of the Board Charter is available on the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>.</p> <p>The last review of the Board Charter was done on 28 February 2020.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Ethics and Business Conduct was established in 2013 to ensure that trust and confidences of stakeholders are intact. The Company gains credibility by adhering to commitments, displaying honesty and integrity and reaching goals solely through honourable conduct. The Company also took an initiative to maintain the Code of Ethics and Business Conduct in Mandarin for the benefit of the subsidiary's senior management team in China who may not be well verse in English.</p> <p>The last review of the Code of Conduct and Ethics was done on 28 February 2020.</p> <p>A copy of the Code of Ethics and Business Conduct is available on the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>. In line with the amendment of the Malaysian Anti-Corruption Commission Act, which is the new Section 17A on corporate liability for corruption, the Company is in the midst of preparing the policy.</p> <p>A copy of the Anti-Corruption Policy would be uploaded onto the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a> upon completion.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Whistleblowing policy was established in year 2013 as the Company is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.</p> <p>The last review of the Whistleblowing policy was done on 28 February 2020.</p> <p>A copy of the Whistleblowing policy is available on the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For the financial year ended 31 December 2019, the Board consists of six (6) members, comprising one (1) Executive Chairman, one (1) Managing Director, one (1) Executive Director, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors.</p> <p>Subsequent to the year end, Mr. Balraj Singh Pannu A/L Gajjan Singh was appointed as an Independent Non-Executive Director and Mr. Liu Xueqiang resigned as a Non-Independent Non-Executive Director on 2 April 2020. As such, the Board has six (6) members, comprising one (1) Executive Chairman, one (1) Managing Director, one (1) Executive Director and three (3) Independent Non-Executive Directors.</p> <p>The three (3) Independent Non-Executive Directors satisfy the definition of independence as prescribed in Paragraph 1.01 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad. As such, half of the Board members comprise Independent Directors.</p> <p>To ensure the effectiveness of the Independent Non-Executive Directors on the Board, the independence assessment are conducted annually via the following:-</p> <ul style="list-style-type: none"><li>• self/board performance evaluation; and</li><li>• forms of declaration of independence to facilitate the process of determining the Directors’ independence.</li></ul> <p>Through the recommendation of the Nomination Committee, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interests of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	: Applied – Annual shareholders' approval for independent directors serving beyond 12 years through a two-tier voting process
<b>Explanation on application of the practice</b>	<p>The Company will be seeking shareholders' approval through two-tier voting process at the forthcoming Fourteenth Annual General Meeting for Ms. Lim See Tow ("Ms. Lim"), who has served the Board for more than twelve (12) years continues to act as an Independent Non-Executive Director.</p> <p>In accordance with the Malaysian Code on Corporate Governance, the Board through the Nomination Committee has undertaken relevant assessment and recommended to the Board the retention of Ms. Lim's directorate as an Independent Non-Executive Director based on the following justifications:</p> <ul style="list-style-type: none"><li>(a) Ms. Lim has fulfilled the criteria under the definition of Independent Director as stated in the MMLR;</li><li>(b) Ms. Lim functions as a check and balance to the Board and Board Committees;</li><li>(c) Ms. Lim has 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;</li><li>(d) Ms. Lim has devoted sufficient time and attention to her responsibilities as an Independent Non-Executive Director of the Company; and</li><li>(e) Ms. Lim has exercised her due care in the interest of the Company and shareholders during her tenure as an Independent Non-Executive Director of the Company.</li></ul>

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

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is responsible for making recommendations for the appointment of Directors to the Board.</p> <p>In making recommendation of suitable candidates, the Nomination Committee considers the following attributes of candidates:</p> <ul style="list-style-type: none"><li>(a) skills, knowledge, expertise and experience;</li><li>(b) professionalism;</li><li>(c) integrity;</li><li>(d) competencies, commitment, contribution and performance; and</li><li>(e) in the case of candidates for the position of Independent Director, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Director.</li></ul> <p>The Nomination Committee also considers, candidates for directorships proposed by the Directors and, within the bounds of practicability, by any other senior executive or any Director or shareholder and to take steps to ensure that gender, ethnicity and age group diversity is considered as part of its recruitment exercise.</p> <p>The current Board consists of Directors from diverse background and qualifications, collectively bring with them a wide range of experience and expertise in areas such as economics, accounting, finance, engineering and entrepreneurship.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has adopted a Gender Diversity Policy and the said policy is available on the the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>.</p> <p>The Board acknowledges the importance of boardroom diversity and is supportive of the same. The Board currently has one female director, comprising 16.67% of the Board.</p> <p>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 done without regard to the candidate's gender, ethnicity nor age.</p> <p>The Nomination Committee would ensure that steps will be undertaken to ensure that suitable women candidates are sought from various sources, should the need arises.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 done without regard to the candidate's gender, ethnicity nor age.</p> <p>Besides, the Nomination Committee does not solely rely on recommendations from existing Board members, management or major shareholders. The Company has set the consideration of other variety of approaches and independent sources to identify suitable candidate for appointment of Directors as one of the key priorities to consider.</p> <p>During the financial year, the Company has appointed Datuk Lim Chih Li @ Lin ZhiLi as an Executive Director on 16 October 2019 based on his competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company to lead the new ventures in Food and Beverage and Internet of Things industries which were successfully acquired by the Company during the year.</p> <p>The Company also appointed Mr. Balraj Singh Pannu A/L Gajjan Singh as an Independent Non-Executive Director on 2 April 2020 after being assessed by the Nomination Committee of his competency, skills, character, time commitment, knowledge, experience and other qualities following the resignation of Mr. Liu Xueqiang.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is chaired by Ms. Lim See Tow who is an Independent Non-Executive Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The annual assessments for the performance of Board, individual director and Committees were conducted for the financial year ended 31 December 2019. Directors and Board Committees provided anonymous feedback on their peers' performance and individual performance contribution to the Board and respective Board Committees. The results were then collated by the Company Secretaries and tabled to the Nomination Committee for deliberation. Each Director was provided feedback on their contribution to the Board and its Committees. The review supported the Board's decision to endorse all retiring Directors standing for election. The assessment report together with the report on the Board balance (the required mix of skills, experience and other qualities) are discussed and circulated to the Board of Directors. The results affirmed that the Board and each of its Committees continue to operate effectively.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee is tasked to review and recommend the remuneration package of the Executive Directors, Non-Executive Directors and Senior Management of the Company.</p> <p>The Remuneration Committee has to take into consideration the following:-</p> <ul style="list-style-type: none"><li>• In respect of Executive Directors, to ensure that the remuneration package commensurate with skills and responsibility expected of the Director concerned and is sufficient to attract and retain Directors needed to run the Company successfully.</li><li>• In respect of Non-Executive Directors, to ensure via the Board as a whole that the remuneration payable reflects the experience, time demanded of the Directors to discharge their duties and responsibilities undertaken.</li><li>• In respect of Senior Management, to ensure that the remuneration package commensurate with individual's performance, skills and experience, level of responsibility as well as the market benchmarks.</li></ul> <p>The above is stated in the Terms of Reference of the Remuneration Committee and it is available on the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	: Applied															
<b>Explanation on application of the practice</b>	<p>The Remuneration Committee is made up of the following composition:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Designation</th> <th>Directorate</th> </tr> </thead> <tbody> <tr> <td>Lim See Tow</td> <td>Chairperson</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Zhai Baoxing</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Liu Xueqiang (resigned w.e.f. 2 April 2020)</td> <td>Member</td> <td>Non-Independent Non-Executive Director</td> </tr> <tr> <td>Balraj Singh Pannu A/L Gajjan Singh (appointed w.e.f. 2 April 2020)</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The Terms of Reference of the Remuneration Committee is available on the Company's website at <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>.</p>	Name	Designation	Directorate	Lim See Tow	Chairperson	Independent Non-Executive Director	Zhai Baoxing	Member	Independent Non-Executive Director	Liu Xueqiang (resigned w.e.f. 2 April 2020)	Member	Non-Independent Non-Executive Director	Balraj Singh Pannu A/L Gajjan Singh (appointed w.e.f. 2 April 2020)	Member	Independent Non-Executive Director
Name	Designation	Directorate														
Lim See Tow	Chairperson	Independent Non-Executive Director														
Zhai Baoxing	Member	Independent Non-Executive Director														
Liu Xueqiang (resigned w.e.f. 2 April 2020)	Member	Non-Independent Non-Executive Director														
Balraj Singh Pannu A/L Gajjan Singh (appointed w.e.f. 2 April 2020)	Member	Independent Non-Executive Director														
<b>Explanation for departure</b>																
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																



<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied				
<b>Explanation on application of the practice</b> :	The details of remuneration of Directors who served during the financial year ended 31 December 2019 are as follows:-				
		<b>Salary</b>	<b>Fee</b>	<b>Allowances</b>	<b>Emoluments</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>Executive Directors</b>				
	Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	420,000	-	-	50,400
	Liu Guodong	312,334	-	-	-
	Datuk Lim Chih Li @ Lin ZhiLi <i>(Appointed w.e.f. 16 October 2019)</i>	25,000	-	-	3,265
	<b>Non-Executive Directors</b>				
	Lim See Tow	-	30,000	6,700	-
	Zhai Baoxing	-	30,000	5,550	-
Liu Xueqiang <i>(Resigned w.e.f. 2 April 2020)</i>	-	30,000	9,042	-	
<b>Explanation for departure</b> :					
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>					
<b>Measure</b> :					
<b>Timeframe</b> :					

### 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b>	The remuneration for the top five (5) Key Senior Management in bands of RM50,000 during the financial year ended 31 December 2019 is as follows:-	
	<b>BAND</b>	<b>NAME AND POSITION</b>
	RM50,000 and below	Qiu Hongguang, (Marketing Manager)
	RM50,001 – RM100,000	Song Xiguo, (Safety Manager)
	RM100,001 – RM150,000	Liu Mengming, (Operations Manager)
	RM150,001 – RM200,000	Foong Chong Thong, (Group Financial Controller)
	RM250,001 – RM300,000	Yan Bindong, (General Manager)
<b>Explanation for departure</b>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit and Risk Management Committee is chaired by Ms. Lim See Tow, who is an Independent Non-Executive Director, while the Chairman of the Board is Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, who is an Executive Chairman.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Terms of Reference of the Audit and Risk Management Committee indicated that the appointment of a former key audit partner as a member of Audit and Risk Management Committee shall observe a cooling-off period of at least two (2) years before being appointed as a member of Audit and Risk Management Committee.</p> <p>None of the members of the Audit and Risk Management Committee were former key audit partners and notwithstanding the above provision, the Audit and Risk Management Committee has no intention to appoint any former key audit partner as member of the Audit and Risk Management Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Risk Management Committee has adopted performance evaluation of External Auditors.</p> <p>The Audit and Risk Management Committee and Management conducted an annual assessment of the suitability and independence of the External Auditors, Morison AAC PLT, in respect of the financial year under review. The Audit and Risk Management Committee was satisfied with the performance and independence of the External Auditors as well as the fulfillment of criteria based on several factors, including independence of the External Auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</p> <p>Morison AAC PLT had also indicated to the Audit and Risk Management Committee in the audit planning memorandum and audit review memorandum that they had been independent throughout the audit engagement in respect of the financial year under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the Audit and Risk Management Committee, approved the recommendation for the re-appointment of Morison AAC PLT as External Auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming Annual General Meeting ("AGM").</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on adoption of the practice</b>	:	Following the resignation of Mr. Liu Xueqiang and appointment of Mr. Balraj Singh Pannu A/L Gajjan Singh on 2 April 2020, the Audit and Risk Management Committee comprises three (3) Independent Non-Executive Directors namely:-  (a) Ms. Lim See Tow (Chairperson); (b) Mr. Zhai Baoxing; and (c) Mr. Balraj Singh Pannu A/L Gajjan Singh.

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of the Audit and Risk Management Committee collectively have the necessary skills and a wide range of experience and expertise to fulfil its duties and responsibilities.</p> <p>Based on the outcome of the performance assessment on the Audit and Risk Management Committee by the Nomination Committee, the Nomination Committee and Board were satisfied with the performance of the Audit and Risk Management Committee.</p> <p>Members of the Audit and Risk Management Committee received ongoing training and development as disclosed in Annual Report of the Company for the financial year ended 31 December 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its responsibility to maintain a system of internal control and for reviewing its adequacy and integrity. The system is designed to manage rather than to eliminate the risk of failure in achieving the Group's corporate objectives and can only provide reasonable but not absolute assurance against any material misstatement or financial losses.</p> <p>Apart from financial controls, the Group's system of internal controls also covers operational and compliance controls and, most importantly, risk management. As part of the risk management process, the Board assisted by the Audit and Risk Management Committee, is continuously identifying, assessing and managing significant business risks faced by the Group throughout the financial year.</p> <p>The other key features of the Group's internal control system include the following:</p> <ul style="list-style-type: none"><li>• An organisation structure with defined lines of responsibility and appropriate reporting structure including proper approval and authorisation limit for approving capital expenditure and expenses within the Group;</li><li>• Internal policies and procedures are documented and regularly reviewed and updated from time to time through a series of manuals and guidelines for all major operations of the Group;</li><li>• Strategic planning and annual budgeting are undertaken for the key business unit, which relate to the manufacturing and sales of metallurgical coke and other by-products. Senior Management closely monitors the key performance indicators and financial and operating results to identify and where appropriate, to address significant variances;</li><li>• The Internal Audit Department performs regular and systematic reviews throughout the financial year on the internal controls to assess and provide sufficient assurance on the effectiveness of the systems of internal control and</li></ul>

	<p>highlights significant risks impacting the Group with recommendations for improvement; and</p> <ul style="list-style-type: none"> <li>The Audit and Risk Management Committee regularly reviews reports issued by the Internal Audit Department on a quarterly basis and annually reviews the adequacy of the Internal Audit Department's scope of work and resources.</li> </ul>	
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Statement on Risk Management and Internal Control furnished in the Annual Report provides an overview of the internal control within the Group during the financial year under review.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Department performs regular and systematic reviews throughout the financial year on the internal controls to assess and provide sufficient assurance on the effectiveness of the systems of internal control and highlights significant risks impacting the Group with recommendations for improvement.</p> <p>The Audit and Risk Management Committee regularly reviews reports issued by the Internal Audit Department on a quarterly basis and annually reviews the adequacy of the Internal Audit Department's scope of work and resources.</p> <p>During the year under review, the Internal Audit Department completed audit cycles focused on the following:-</p> <ul style="list-style-type: none"><li>• Procurement, logistics and sales cycle;</li><li>• Human resource management;</li><li>• Production monitoring process, asset and equipment management and warehouse storage control system; and</li><li>• Production safety management, equipment management, quality control, production technology and environmental issues.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Internal Auditor, Mr. Lin Ling Ping, who has no relationships with the Company or conflict of interests, has more than 10 years of working experience who was last working as an audit manager in Shandong Futong Agricultural Property Development Co., Ltd before joining the Company in 2017. The Internal Auditor reports directly to Audit and Risk Management Committee and quarterly internal audit reports are being prepared in accordance with the internal audit plan approved by the Audit and Risk Management Committee in advance.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.</p> <p>The Company keeps shareholders informed by way of announcements and timely release of quarterly financial results through Bursa Malaysia, press releases, annual report and circular to shareholders, should it be necessary.</p> <p>The Company also maintains the following website that allows all shareholders and investors access to information about the Company: <a href="http://www.sinohuaan.com">http://www.sinohuaan.com</a>.</p> <p>Any query and concern regarding the Group may be conveyed to the Company via email, telephone or fax. Contact details are as follows:-</p> <p>Telephone no. : 03-7733 7180</p> <p>Facsimile no. : 03-7733 7170</p> <p>Email : info@sinohuaan.com</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not classified as "Large Company". However, the Company would consider, as far as applicable to the Company, adopting the integrated reporting based on a globally recognised framework in the near future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Annual Report, which contains the Notice of AGM, was sent to shareholders at least 28 days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	During the Thirteenth Annual General Meeting held on 24 May 2019, all members of the Board of the Company attended the Thirteenth AGM save for Mr. Liu XueQiang (“Mr. Liu”), who was absent due to his work commitment in China. Mr. Liu has resigned on 2 April 2020 and in replace by Mr. Balraj Singh Pannu A/L Gajjan Singh.	
		All the Directors of the Company will endeavour to attend all future General Meetings and the Chair of the Audit Committee, Nomination Committee and Remuneration Committee will provide meaningful responses to questions addressed to them.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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–

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Presently, the Company does not practice voting in absentia and remote shareholders' participation at general meetings.</p> <p>In order to implement voting in absentia and remote shareholders' participation, the Company had in the Thirteenth AGM held on 24 May 2019 updated the relevant provisions relating to the convening of general meetings in the Company's Constitution to allow for shareholders to attend general meetings remotely in line with the expectations of the MCCG.</p> <p>Over the years, the AGM of the Company was held at venues which are based in Kuala Lumpur and such venues are all easily accessible to most shareholders. Shareholders are encouraged to attend general meetings. Shareholders who have questions and queries are welcome to submit questions or engage with Management separately. Management will endeavour to respond within a reasonable time. Shareholders are allowed to appoint any person as their proxy to attend, participate, speak and vote in his stead at a general meeting.</p> <p>In view of the COVID-19 outbreak and having regard for the well-being and safety of our shareholders, the Company will be conducting the forthcoming Fourteenth AGM on a fully virtual basis via Remote Participation and Electronic Voting ("RPV") facilities from the broadcast venue at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan. Shareholders will be able to participate, speak and vote remotely at the Fourteenth AGM using the RPV facilities.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.*

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