

STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (“MCCG 2012”) sets out broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture. Sino Hua-An International Berhad group of companies (“Group”) fully supports and is committed to maintaining an effective and high standard of corporate governance and the development of best practices in its pursuit of business integrity and professionalism to enhance shareholders’ value and financial performance of the Group.

The Board of Directors (“Board”) of the Group regards corporate governance as vitally important to the success of the Group’s business and is committed to applying the following principles, necessary to ensure that good governance is practiced in all of its business dealings in respect of its shareholders and relevant stakeholders:

- The Board is the focal point of the Group’s corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the Group.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible to the Group for achieving a high level of good governance.

The Board is pleased to provide this statement, which outlines and describes how the Group has applied the main principles set out in the MCCG 2012 that has been in place throughout the financial year ended 31 December 2016, except otherwise stated.

The Board endeavors to comply with all the Principles and Recommendations of the MCCG 2012 in its effort to observe high standards of transparency, accountability and integrity for long term sustainability of business growth and to the best interest of the shareholders of the Company.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Board Charter

The Board Charter approved by the Board sets out explicitly the responsibilities assumed by the Board in the following areas:

- retain full and effective control over the Group, and monitor management in implementing Board plans and strategies;
- ensure that a comprehensive system of policies and procedures is operative;
- identify and monitor non-financial aspects relevant to the business;
- ensure ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, as well as the Group’s own governing documents and code of conduct;
- strive to comply and where possible exceed the minimum stipulations of the international best practices;
- define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary and appropriate written authority to the Management;
- act responsibly towards the Group’s relevant stakeholders; and
- be aware of, and commit to, the underlying principles of good governance and that compliance with corporate governance principles is reviewed regularly.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

Board Charter (Cont'd)

Having regard to its role, the Board takes cognisance of the key elements of the governance processes underpinning the operation of the Group with particular attention to the following:

- review the strategic direction of the Group and adopt business plans proposed by Management which have been vigorously deliberated for the achievement thereof;
- approve specific financial and non-financial objectives and policies proposed by Management;
- review processes for the identification and management of business risk and processes for compliance with key regulatory and legal frameworks, policies and best practices;
- delegate relevant authority to Management for capital expenditure and review investments, capital and funding proposals vide Board deliberation and approval;
- review succession planning for the Management team and endorse senior executive appointments, organisational changes and high level remuneration issues;
- provide oversight of the performance of the Management against targets and objectives; and
- provide oversight of reporting to shareholders on the direction, governance and performance of the Group as well as other processes that needed reporting or other disclosure requirements to the same.

The Board has via the Board Charter established a formal schedule of matters reserved for its deliberation and decision in order to enhance the delineation of roles between the Board and Management, as well as to ensure the direction and control of the Group's operations are in the Board's hands.

The Board Charter is to be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter was reviewed by the Board on 24 March 2016.

A copy of the Board Charter is published in the Company's website at www.sinohuaan.com.

Ethical Standards through Code of Conduct

The Board has adopted the Code of Ethics and Business Conduct for all Board members, Management, suppliers and clients, competitors as well as all employees of the Group, to always conduct oneself with integrity, accountability, transparency and professionalism when dealing with matters pertaining to the Group. A copy of the Code of Ethics and Business Conduct is published in the Company's website at www.sinohuaan.com.

Whistle-Blowing Policy

The Group has implemented a whistle-blowing policy, the objectives of which is to provide an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with procedures as provided under the policy and to provide protection for employees and members of the public who report such allegation. A copy of the Whistle-Blowing Policy is published in the Company's website at www.sinohuaan.com.

Strategies to Promote Sustainability

The Group is committed to promote sustainability in its business as well as the environment in which it is operating in. Accordingly, the Group endeavors to practise, inter-alia, the following:

- fair and just business conduct with all its business partners;
- ensuring employees welfare is adequately taken care of; and
- protection of the environment through conscientious efforts and investments made on technologies and facilities to ensure pollution level is sufficiently managed and kept to a minimum.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

Access to Information and External Advice

The Board has full and unrestricted access to all information pertaining to the Group's businesses and affairs as well as to the advice and services of the Senior Management of the Group to enable them to discharge their duties. The Directors may request additional information or clarification, particularly in respect of complex and technical issues tabled to the Board.

The Board is provided with comprehensive board papers on a timely basis prior to Board meetings. This is to ensure and to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Malaysia Securities Berhad ("Bursa Securities").

Senior Management and external advisers may be invited to attend Board meetings when necessary, to report on matters relating to their areas of responsibility, and to furnish the Board with explanations and comments or to provide clarification on issue(s) that may be raised by any Director.

The Chairman of the respective Board Committees are also required to report the outcome of the Committee meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

Where any accounts, minute books or other records required to be kept by the Companies Act 2016 ("Act") are not kept in Bahasa Malaysia or the English Language, the Directors shall cause a true translation of such accounts, minute books and other records to be made from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original accounts, minute book and other records for so long as the original accounts, minute books and other records are required by the Act to be kept.

Directors are also empowered to seek such external independent professional advice as they may require, at the expense of the Company, to enable them to make well-informed decisions.

Company Secretaries

All members of the Board have direct access to the advice and services of the Company Secretaries. The Board ensures that the Company Secretaries appointed have the relevant experiences and skills.

The Company Secretaries have regularly updated the Board on any regulations and guidelines, as well as any amendments as and when issued by Bursa Securities, Securities Commission, the Companies Commission of Malaysia and other relevant regulatory authorities.

The Company Secretaries also ensure that deliberations at the Board meetings and the respective Board Committee meetings are properly recorded and minuted, and subsequently be communicated to the Management for their action.

Thus far, the Board is satisfied with the performance and support rendered by the Company Secretaries in the discharge of their functions and responsibilities.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION

Board Composition and Balance

The Company's Articles of Association provides that the Board shall comprise a maximum of twelve (12) Directors. Currently, the Board has 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 (one of whom is a Senior Director).

The present composition of the Board complies with Paragraph 15.02 (1) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities whereby at least one-third (1/3) of the Board must be made up of Independent Directors.

The profiles of individual Directors are set out on Pages 12 to 14 of this Annual Report.

The Board collectively has wide and varied technical, financial, legal, management and commercial experience and is of persons of high caliber and integrity. The composition of the Board not only reflects the broad range of experiences, skills and knowledge required to successfully direct and supervise the Group's business activities, but also the importance of independence in decision making at the Board level.

All the Independent Non-Executive Directors are independent from the Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment and act in the best interests of the Group and its shareholders. They have the capability to ensure that the strategies proposed by the Management are fully deliberated and examined in the long-term interest of the Group, as well as the shareholders, employees, customers, suppliers, authorities and the many communities in which the Group conducts its businesses.

The Board continues to believe that even with the presence of representatives of major shareholders on the Board, its existing two (2) Independent Non-Executive Directors, with their extensive knowledge, experience and expertise would still be able to provide the necessary check and balance to the Board's decision-making process.

The Board takes cognisance of Recommendation 3.5 of the MCCG 2012 stating that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director. However, given the fact that the Board is currently functioning well and able to discharge the duties expected of it in an effective and proper manner, the Board's composition shall remain until such time where it is deemed absolutely necessary and fitting to restructure the Board to fully adopt the abovementioned Recommendation.

Board Committees

The Board has established a number of Board Committees to assist the Board in the execution of its duties and responsibilities. Each committee operates under their respective approved term of reference and has the authority to examine particular issues and report to the Board with their recommendations. The final decisions on all matters are determined by the Board as a whole.

(a) Audit and Risk Management Committee ("ARMC")

The Terms of Reference of the ARMC is available at the Company's website at www.sinohuaan.com.

The ARMC's composition, its function and summary of work during the financial year is set out in the ARMC Report on Pages 34 to 37 of this Annual Report.

The ARMC met a total of five (5) times during the financial year ended 31 December 2016.

The External Auditors have direct access to the Chairman and members of the ARMC without the presence of the Executive Directors/Management for independent discussions.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(b) Nomination Committee ("NC")

The NC comprises exclusively Non-Executive Directors and majority are Independent Non-Executive Directors, the members of NC are as follows:

Chairman	:	Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid <i>(Senior Director; Independent Non-Executive Director)</i>
Members	:	Lim See Tow <i>(Independent Non-Executive Director)</i>
	:	Liu Xueqiang <i>(Non-Independent Non-Executive Director)</i> <i>(Re-designated and appointed as a member of Nomination Committee on 15 July 2016)</i>
	:	Fu Qiang <i>(Independent Non-Executive Director)</i> <i>(Resigned on 25 May 2016)</i>

The NC is also responsible for evaluating and nominating suitable candidates to the Board to ensure the proper Board balance and size as well as to fill vacant seats on Board Committees. The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the NC with due consideration given to the mix of expertise and experience required for an effective Board. The key criteria used in the selection process include, the person's character, experience, competency, integrity and time commitment to effectively discharge his/her role as Director, including willingness to devote time in performing his/her role, apart from attending Board meetings. There was no new Board member being appointed to the Board during the financial year under review.

The NC may meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 December 2016, the NC had one (1) meeting and reviewed amongst others, the following matters:

- the effectiveness of the Board as a whole and of the committees of the Board and the contribution and performance of each individual Director;
- the independency of the Independent Directors;
- the re-election and re-appointment of Directors to the Board for recommendation to the shareholders for approval; and
- the retention of Independent Directors to the Board for recommendation to the shareholders for approval.

On annual basis, the NC assist the Board in reviewing the required diversity of skillset and experiences as well as other attributes, including core competencies of Non-Executive Directors. A formal performance assessment of the Board, Board Committees and individual Directors enables the Board to assess its performance and identify areas for improvement. The following key elements are taken into consideration for assessment:

- appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;
- clear definition of the Board and Board Committees' roles and responsibilities;
- effectiveness of the Board and Board Committees in carrying out their roles and responsibilities as stipulated in the Board Charter and/or Terms of Reference;
- sufficiency and relevance of knowledge and expertise of individual Directors in their respective capacity as members of the Board and Board Committees; and
- Directors' character, experience, competency, integrity, and time commitment to effectively discharge their roles as Directors, including willingness to devote time in performing their roles, apart from attending Board meetings.

Further information on the functions of the NC are set out in its Terms of Reference, which is available at the Company's website at www.sinohuaan.com.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(b) Nomination Committee ("NC") (Cont'd)

Diversity

In line with the recommendations of the MCCG 2012, the Board takes cognisance of gender diversity in the boardroom as recommended by the MCCG 2012 to promote the representation of women in the composition of the Board. Presently, there is one (1) female Director on the Board of the Company. The Company has adopted a formalised Diversity Policy in which its Board endeavors to ensuring diversity and inclusiveness regardless of gender in its composition and deliberations. In this respect, should there be any person(s) the Board deems fit and appropriate and possesses the necessary and relevant attributes, caliber and capabilities to contribute effectively to the Group, such person(s) may be considered to participate in governing the Group, either by way of Board member or otherwise.

Re-Election / Re-Appointment of Directors

In accordance with the Listing Requirements of Bursa Securities and Article 95 of the Company's Article of Association, at least one-third (1/3) or the number nearest to one-third shall retire from office once at least in every three (3) years but shall be eligible for re-election. In this respect, two (2) of the Directors, namely Mr. Liu Xueqiang and Mr. Cedric Choo Sia Teik are due to retire at this forthcoming Annual General Meeting ("AGM") and being eligible, would be standing for re-election.

Article 101 of the Company's Articles of Association provides that any director so appointed shall hold office only until the next AGM where he shall retire and accordingly be available to offer himself/herself for re-election. He/she however shall not be accounted in determining the Directors who are to retire by rotation at that meeting pursuant to the abovementioned Articles of Association. The Company did not have any new appointment of directors following the conclusion of last year's AGM.

In addition to the above, Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid, a Director who is to vacate office upon the conclusion of this AGM (by virtue of the stipulations of last year's Section 129(6) of the Act although it shall no longer be applicable from this AGM henceforth), is also seeking for re-appointment to continue in office until resolved otherwise, subject to the Act, Bursa Securities' Listing Requirements and the Company's Articles of Association as may be amended from time to time.

The performance of the Directors who are subject to re-election and re-appointment and at the forthcoming AGM has been assessed by the NC who had submitted the recommendations to the Board for deliberations and approval.

The Board has determined that the performance of the above Directors who are subject to re-election and re-appointment respectively at the forthcoming AGM, have continued to demonstrate the necessary commitment to be fully effective members of the Board. Hence, the Board unanimously recommends that the shareholders vote in favour of the re-election and re-appointment of the above Directors at the forthcoming AGM.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(c) Remuneration Committee ("RC")

The RC comprises the following members and majority of them are Non-Executive Directors as recommended by the MCCG 2012:

- Chairperson : **Lim See Tow**
(Independent Non-Executive Director)
- Members : **Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid**
(Senior Director; Independent Non-Executive Director)
- : **Liu Xueqiang**
(Non-Independent Non-Executive Director)
(Re-designated and appointed as a member of Remuneration Committee on 15 July 2016)
- : **Liu Guodong**
(Managing Director)
- : **Fu Qiang**
(Independent Non-Executive Director)
(Resigned on 25 May 2016)

The RC may meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 December 2016 the RC had one (1) meeting.

The key functions of the RC include to review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice and to recommend to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of Executive Directors.

Remuneration of Directors

The RC has carried out the annual review of the overall remuneration policy for the Executive Directors and recommendations have been submitted to the Board for approval.

The remuneration of the respective Directors is benchmarked against that of various companies in the industry as well as other companies if deemed relevant. Additionally, the remuneration is determined to ensure it commensurates with the level of experience, responsibility and contribution made to the Group by the respective Directors.

None of the Executive Directors participated in any way in determining their individual remuneration. The Directors' fee for the Non-Executive Directors is determined by the Board as a whole with individual Directors abstaining from decisions in respect of their individual remuneration.

There were no formal remuneration policies and procedures in place yet but the Board Charter provides that:

- Non-executive members receive no share options nor significant benefits from Sino Hua-An, other than their directors' fees;
- The Managing Director ("MD")/ Chief Executive Officer's ("CEO") remuneration will depend on the achievement of the goals set at the beginning of each year. The goals are divided between quantified organisational achievement and personal achievement; and
- Executive members will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company.

PRINCIPLE 2: STRENGTHENING THE BOARD'S COMPOSITION (CONT'D)

Board Committees (Cont'd)

(c) Remuneration Committee ("RC") (Cont'd)

Remuneration of Directors (Cont'd)

The details of the remuneration of the Directors of the Group/Company for the financial year under review are as follows:

	Fees RM'000	Salary & Other Emoluments RM'000	Benefits -in-Kind RM'000	Allowances RM'000
GROUP				
Non-Executive Directors	79	–	–	14
Executive Directors	–	1,380	–	–

COMPANY

Non-Executive Directors	79	–	–	14
Executive Directors	–	1,085	–	–

The number of Directors of the Group/Company whose total remuneration during the financial year under review that fall within the following bands are as follows:

	GROUP		COMPANY	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	1 *	4 *	1 *	4 *
RM250,001 – RM300,000	3	–	2	–
RM300,001 – RM350,000	–	–	–	–
RM350,001 – RM400,000	–	–	–	–
RM400,001 – RM450,000	1	–	1	–

* *Mr Fu Qiang, an Independent Non-Executive Director has resigned on 25 May 2016 and Mr Liu Xueqiang was re-designated from Executive Director to Non-Independent Non-Executive Director on 15 July 2016.*

PRINCIPLE 3: REINFORCING INDEPENDENCE

In line the Recommendation 3.1 of the MCCG 2012, the NC and Board had performed an annual review on the independency of independent directors and the independent directors had declared their independency in writing.

The Recommendation 3.2 of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) year terms, an independent director may continue to serve on the board subject to the director's re-designations as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years. The independent directors, whose tenure exceeded a cumulative term of nine (9) years in the Company at the forthcoming AGM are Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow.

PRINCIPLE 3: REINFORCING INDEPENDENCE (CONT'D)

Both the NC and the Board have assessed the independence of Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow and are satisfied with the skills, contribution and independent judgment they bring to the Board in facilitating decision making processes of the Company. The Board is of the view therefore that there are significant advantages to be gained from long-serving Directors who not only possess tremendous insight but also in-depth knowledge of the Company's business and affairs.

Key justifications for retaining them as Independent Non-Executive Directors are as follows:

- (i) Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid and Ms. Lim See Tow have met the independence guidelines as set out in Chapter 1 of the Bursa Securities Listing Requirements;
- (ii) They do not have any conflict of interest with the Company and have not been entering nor are expected to enter into contract(s), especially material contract(s) with the Company and/or its subsidiary companies; and
- (iii) They are familiar with the Group's activities and corporate history and have been providing invaluable contributions to the Board in their role as Independent Non-Executive Directors.

The Group is controlled and led by a Board which is primarily entrusted with the responsibility of charting the direction of the Group. The Board delegates certain responsibilities to the Board Committees, all of which operate within their defined terms of reference to assist the Board in the execution of its duties and responsibilities.

Other than matters which are deemed material, significant or sensitive in nature, all of which call for the Board's attention, deliberation and approval, the responsibility for managing the Group's business activities are delegated to the MD of the Company, who is accountable to the Board.

The Executive Chairman is responsible for ensuring Board effectiveness and ensures that conduct and working of the Board are in an orderly and effective manner. The Executive Chairman is also responsible for conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board meetings and shareholders are properly informed of the subject matters which require their approval.

The Board, through the MD, is fully assisted by the Management in the day-to-day management of the financial and operational matters in accordance with the strategic direction established by the Board. The Board outlines the policies and objectives of the Group, which are carried out by the Management through the close supervision of the MD. The Board is mindful to include sustainable practices and procedures in the Company's business strategies that drive long term corporate growth, profitability and sustainability.

There is a clear division of responsibility between the Executive Chairman and MD. The Board has established the roles and responsibilities of the Executive Chairman which are distinct and separate from the roles and responsibilities of the MD. The segregation between the duties and responsibilities of the Executive Chairman and MD ensures an appropriate balance of roles, responsibilities and accountability at Board level. The Board has taken note of Recommendation 3.4 of the MCCG 2012 which states that the positions of the Chairman and CEO should be held by different individuals and the Chairman must be a non-executive member of the Board. The Group complies with the requirement to have the position of the Chairman and CEO (the position of which is assumed by the MD) held by two separate and distinct individuals from the outset. Due to strategic reasons and work exigency, the Chairman currently assumes an executive position within the Group. However, the Group had taken proactive steps to check the perceived ascendancy and influence of the Executive Chairman with the presence of a Senior Director which is independent and non-executive.

PRINCIPLE 4: FOSTERING COMMITMENT

Board Meetings

The Board meets regularly to ensure that the Group is managed effectively, with a formal schedule of matters reserved for its deliberation. The agenda and Board papers for each item as well as the minutes of previous meetings are circulated in advance to the Board to give all Directors sufficient time to deliberate on the issues to be raised at the Board meetings.

The Board collectively deliberates, reviews and considers all corporate proposals prior to implementation. Corporate proposals are put to vote after thorough deliberation. In the event of an equality of votes for or against any particular proposal, the Chairman of the meeting shall have a second or casting vote, except when only two (2) Directors are competent to vote on the proposal. In this respect, no individual or group of individuals dominates the Board's decision making.

Where a potential conflict of interest arises, the Director concerned will declare his or her interest and abstain from the decision making process.

In discharging its duties, the Board met a total of six (6) times throughout the financial year ended 31 December 2016.

The record of attendance at the meetings of the Board of Directors for the financial year ended 31 December 2016 is as follows:

Directors	No. of Board Meetings Attended	Percentage
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	6/6	100%
Liu Guodong	5/6	83%
Cedric Choo Sia Teik	6/6	100%
Y. Bhg. Dato' Mohd Shahar Bin Abdul Hamid	6/6	100%
Fu Qiang (Resigned on 25 May 2016)	4/4 *	100%
Lim See Tow	6/6	100%
Liu Xueqiang	6/6	100%

* Out of the total six (6) Board of Directors meetings held during the financial year, there were four (4) which were convened prior to the date of resignation of Mr. Fu Qiang, to which he had attended all of them.

The above record of attendance shows that all the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the Listing Requirements of Bursa Securities.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

PRINCIPLE 4: FOSTERING COMMITMENT (CONT'D)

Directors' Training

All the members of the Board have attended the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analyst Malaysia ("RIIAM") and Bursatra Sdn Bhd, the training arm of Bursa Securities.

All the Directors of the Company are encouraged to attend training programs to equip themselves with the relevant knowledge and to keep abreast of industry developments and trends to discharge their duties effectively.

During the financial year, the Directors had on several and separate occasions independently attended various relevant trainings, seminars and dialogues to keep themselves abreast with the latest updates and developments within the industry. Amongst others, the training programmes/seminars/forums attended by the Directors during the financial year are as follows:

Title	Organiser
• <i>The Essence of Independence</i>	<i>Bursa Malaysia / The Iclif Leadership and Governance Centre</i>
• <i>12th Conference on Status and Outlook of the Malaysian Iron and Steel Industry – Towards Competitive and Sustainable Steel Industry in Malaysia</i>	<i>The Malaysian Iron & Steel Industry Federation (MISIF)</i>
• <i>From Corporate to Government: What's Next?</i>	<i>The Kuala Lumpur Business Club</i>
• <i>Corporate Governance Series: How to Leverage on AGMs for Better Engagement with Shareholders</i>	<i>The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and Bursa Malaysia</i>
• <i>Corporate Governance Session: The Cybersecurity Threat and How Boards Should Mitigate the Risks</i>	<i>Malaysian Directors Academy (MINDA) in collaboration with Bursa Malaysia</i>
• <i>Workshop on Enhanced Understanding of Risk Management and Internal Control for CFO, Internal Auditors and Risk Officers</i>	<i>AxcelAsia Columbus in collaboration with Bursa Malaysia</i>
• <i>Risk Management Programme for Audit and Risk Committee - I Am Ready to Manage Risk!</i>	<i>Bursa Malaysia in collaboration with PwC</i>
• <i>Corporate Governance Statement Workshop for directors of public listed companies - The Interplay between CG, Non-Financial Information and Investment Decision</i>	<i>Bursa Malaysia</i>
• <i>Corporate Governance Breakfast Series with Directors - The Strategy, the Leadership, the Stakeholders and the Board</i>	<i>Bursa Malaysia in collaboration with Malaysian Directors Academy and INSEAD</i>
• <i>Ring The Bell for Gender Equality</i>	<i>Bursa Malaysia in collaboration with United Nations Global Compact and its Malaysian Network</i>
• <i>Corporate Governance Breakfast Series: Future of Auditor Reporting - The Game Changer for Boardroom</i>	<i>Bursa Malaysia in collaboration with MIA-MICPA Joint Working Group</i>

Moving forward, the Board, with the assistance of the NC will assess the training needs of the Board and ensure that the Directors will continue to undergo relevant training programmes, as and when they deem fit and appropriate, to further enhance their skills, knowledge and experience in order to fulfill their duties as Directors.

Time Commitment and Protocol for accepting new directorships

On the appointment of a new Director, the new Director is required to commit sufficient time to attend to the Company's matters before accepting his appointment to the Board.

Directors are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. Any Board member, shall not hold more than five (5) directorships in listed companies at any one time.

PRINCIPLE 5: UPHOLDING INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is responsible to ensure that the financial statements are prepared in accordance with the Act and the applicable approved accounting standards in Malaysia. With assistance from the ARMC, the Board scrutinised the financial aspects of the Audited Financial Statements and reviewed the statutory compliance aspects of the Audited Financial Statements to ensure that the reports present a true and fair view of the financial position of the Group.

The Directors confirm that the financial statements continue to be prepared on the going concern basis and are satisfied that the Group will continue to secure adequate resources at the time of approving the financial statements, to continue in business for the foreseeable future. The ARMC has drawn reference from the "Corporate Governance Guide – 2nd edition" issued by Bursa Malaysia in its evaluation of the performance and independence of the Group's External Auditors. Additionally, the Group had also obtained confirmation from the External Auditors that they are independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

The Statement on Directors' Responsibility in respect of the preparation of the Audited Financial Statements of the Group is set out on Page 33 of this Annual Report.

Relationship with External Auditors

The Board via the ARMC maintains a formal and transparent professional relationship with the Group's External Auditors. The External Auditors regularly are invited to attend all scheduled meetings of the ARMC during the period and attended the AGM of the Company.

The ARMC also had private meetings discussions with the External Auditors at least twice in a year, without the presence of the Executive Directors and the Management.

Independence of External Auditors

The ARMC has reviewed the independence of the External Auditors via, amongst others, an analysis of the non-audit services provided by the External Auditors and its affiliated parties, and the fees dependency on the services provided to the Group. The ARMC had also obtained a written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Messrs. Morison Anuarul Azizan Chew have been the Company's Auditors since 2008.

The ARMC, after due deliberations have recommended the re-appointment of Messrs. Morison Anuarul Azizan Chew as External Auditors for the financial year ending 31 December 2017. The Board at its meeting held on 24 March 2017 approved the ARMC's recommendation. The appointment of Messrs. Morison Anuarul Azizan Chew will be presented for shareholders' approval at the forthcoming AGM.

PRINCIPLE 6: RECOGNISING AND MANAGING RISK

The Directors are fully aware that they have the overall and ultimate responsibility for the Group's system of internal controls. The Board also maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. However, such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is committed to the identification of risk factors throughout the Group. Through the assistance of the ARMC, the Board is well informed on areas where there are significant business risks or exposure as well as the consistency of its risk measurement, monitoring and management.

The Group has an internal audit department, which reports to the ARMC and assists the Board in monitoring and managing risks and internal controls. The Internal Auditors have conducted regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes of the Group during the financial year under review.

The Statement on Risk Management and Internal Control for the Group is presented on Pages 30 to 31 of this Annual Report.

PRINCIPLE 7: ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Group has adopted a Corporate Disclosure Policy, the objectives of which are as follows:

- To raise awareness and provide guidance to the Board, management, officers and employees on the Group's disclosure requirements and practices;
- To provide guidelines and policies in disseminating corporate information to, and in dealing with, shareholders, stakeholders, analysts, media, regulators and the investing public;
- To ensure compliance with all applicable legal and regulatory requirements on disclosures of material information; and
- To build good investor relations with the investing public that inspires trust and confident.

The Board is ultimately responsible for ensuring that the Corporate Disclosure Policy is implemented effectively and the disclosure requirements as set out are duly fulfilled. A copy of the Corporate Disclosure Policy is published in the Company's website at www.sinohuaan.com.

PRINCIPLE 8: STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

Investor Relations and Shareholders' Communication

The Group appreciates feedback from its valued shareholders and consistent with this, it is the intention of the Board that the shareholders are well informed of all major developments that have an impact on the Group.

The various channels of communication with the shareholders are as follows:

- The Annual Report;
- The AGM;
- The various disclosures and announcements made to Bursa Securities;
- Newspaper articles and published interviews with business journalists;
- Regular updates, dialogues, meeting, presentations with institutional shareholders as well as ad-hoc responses to enquiries from stakeholders; and
- The Group website, namely www.sinohuaan.com.

Besides the mandatory reporting and the public announcements of the Group's financial results to Bursa Securities, regulatory bodies and other relevant authorities, the Group keeps the members of the investing community and the shareholders abreast of its developments through press releases and active investor relations programmes.

p. 28

The AGM is a crucial avenue and the principal forum for dialogue between the Group and its shareholders. Shareholders are given ample notice to prepare or present questions to the Board at the AGM. The AGM is also an excellent opportunity for shareholders to direct questions to the Board in relation to the Group's financial performance and the Group's activities. The Chairman and the Board will respond to queries and undertake to provide sufficient explanation and clarification on issues and concerns raised by the shareholders.

Poll Voting

Pursuant to the Listing Requirement of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all the resolutions as set out in the forthcoming and future general meetings will be conducted as such. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

Leverage on Information Technology for Effective Dissemination of Information

The Group has an existing website, namely www.sinohuaan.com which is updated regularly, for shareholders and the public to gain access to corporate information, news and events relating to the Group. Investors and members of the public who wish to contact the Group on any matters pertaining to their shareholdings, investments and/or the Group's business undertakings can channel their enquiries through e-mail via the said Group's website.

This statement is made in respect of the financial year ended 31 December 2016 and in accordance with a resolution passed at the Board of Directors' Meeting held on 24 March 2017.