

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5188  
**COMPANY NAME** : CHINA OUHUA WINERY HOLDINGS LIMITED  
**FINANCIAL YEAR** : December 31, 2017

### **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>	:	<ul style="list-style-type: none"><li>• The Board retains full and effective control of the Company. This includes the responsibility for determining, reviewing and monitoring the Company's overall strategic directions as well as development of the Group in an effective and responsible manner. Key matters reserved for the Board's approval include but not restricted to the following:-<ul style="list-style-type: none"><li>- approval of annual audited financial statements and quarterly result, including accounting policies of the Group;</li><li>- review and approval of annual financial budget and long term business plans;</li><li>- business acquisition and disposal;</li><li>- major capital expenditures;</li><li>- establishment of new businesses or entries into new business ventures;</li><li>- financing of the Group's activities &amp; financial performance;</li><li>- any corporate restructuring not covered by the above mentioned paragraphs; and</li><li>- annual report, announcement.</li></ul></li><li>• The Board has oversight on matters delegated to the Management whereby updates are reported at least on a quarterly basis.</li></ul>

	<ul style="list-style-type: none"> <li>• The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Managing Director.</li> <li>• The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, and developing.</li> <li>• Implementing investor relations and reviewing internal controls.</li> <li>• To ensure the effective discharge of its function and responsibilities, the Board had delegated specific powers and responsibilities of the Board to the relevant Board Committees such as Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC") to act on behalf of the Board to oversee the Group's affair, which operates within the respective clearly defined terms of reference.</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

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>	:	<ul style="list-style-type: none"> <li>• Mr Wang Chao, an Executive Director of the Company who has been the Chairman of the Company since year 2010 is responsible for matters pertaining to the Board and the overall conduct of the Group.</li> <li>• Although the Chairman is an Executive Director, his influence to the Board is balanced by the majority of Independent Non-Executive Director on the Board.</li> <li>• The Chairman is committed a good corporate governance practices and has been leading the Board towards high performing culture.</li> <li>• Key responsibilities of the Chairman include the following: <ul style="list-style-type: none"> <li>- provides leadership for the board so that the board may perform its responsibilities effectively;</li> <li>- sets the board agenda in consultation with the Company Secretary and Agent in Malaysia and ensures that board members receive complete and accurate information in a timely manner;</li> <li>- leads board meetings and discussions;</li> <li>- encourages active participation and allows different views to be freely expressed;</li> <li>- manages the interface between board and management;</li> <li>- ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole;</li> <li>- leads the board in establishing and monitoring good corporate governance practices in the company.</li> <li>- Mr Wang Chao's profile can be viewed on Page 7 of this 2017 Annual Report.</li> </ul> </li> </ul>
<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>	:		
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**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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>• The holding of two roles by Mr Wang Chao is due to his valuable technical and governance knowledge in the business operations coupled with his vast experience in winery industries. With his in-depth experience, Mr Wang Chao is able to provide different prospective, deep insight and guidance on strategic direction as well as an effective management of the Company.</li> <li>• The Company will find a competent chairman candidate through Nomination Committee and then make the positions of Chairman and CEO to be held by different individuals.</li> </ul>	
<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>	:	<ul style="list-style-type: none"> <li>• The Board is supported by a qualified Company Secretary, namely Yang Bin, and Agent in Malaysia namely PFA Corporate Consultants Sdn Bhd in discharging its role and responsibilities. The Board ensures that the Company Secretary/ Agent in Malaysia appointed have the relevant experiences and skills. The appointment and removal of Company Secretary/ Agent in Malaysia of the Company shall be the prerogative of the Board as a whole.</li> <li>• The Company Secretary/ Agent in Malaysia plays an important advisory role and to provide guidance, information and advice to the Board and Board Committees on issues relating to corporate compliance with the relevant laws, rules, regulations and procedures affecting the Board and the Group, as well as the practices of Malaysian Code of Corporate Governance. The Company Secretary/Agent in Malaysia constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG and circulates relevant guidelines and updates on statutory and regulatory requirements from time to time for the Directors' reference and knowledge.</li> <li>• The representative of Agent in Malaysia undertaken continuous professional development by attending the following trainings:             <ul style="list-style-type: none"> <li>i. Anatomy of Company under the New Regime of Companies Act, 2016</li> <li>ii. Managing the Registered Office, Statutory Books, Returns and Other Documents under Companies Act, 2016</li> <li>iii. Key Offences under Companies Act, 2016 and Role and Responsibilities of Directors and Auditors and Company Secretaries under Companies Act 2016</li> <li>iv. Bursa Technical Briefing for Company Secretaries of Listed Issuers – Enhancing Standard of Disclosures in</li> </ul> </li> </ul>

	Announcements & Circulars to Shareholders	
<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>	:	<ul style="list-style-type: none"> <li>• Prior to Board meetings, the Notice and agenda together with the other relevant papers covering quantitative and qualitative information ("Board Papers") are distributed to all Directors not less than three days before a meeting for their perusal.</li> <li>• Minutes of a Directors' meeting would be distributed to all Directors on a timely basis for review and thereafter for confirmation at the next board meeting. The signed board minutes are being kept in the minutes books.</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**

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> :	<ul style="list-style-type: none"> <li>• The Board Charter was adopted by the Board on 1 January 2015.</li> <li>• The Board Charter includes the division of responsibilities and powers between the Board and Management as well as the different committees established by the Board.</li> <li>• The Board would periodically review and update the Board Charter.</li> <li>• The Board Charter is available on the Company's corporate website at <a href="http://www.ohuawine.com.my">www.ohuawine.com.my</a>.</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**

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>	:	<ul style="list-style-type: none"> <li>• The Company has formalised an ethical standard in writing through a Code of Conduct and Ethics. The Code of Conduct and Ethics governs the standard of conduct, behaviour and responsibilities expected from all Company Directors and employees by setting out the principles, practices and standards of good personal and corporate behaviour as below: <ul style="list-style-type: none"> <li>i. act in the Company's best interest and value the Company's reputation;</li> <li>ii. act with Honesty and Integrity;</li> <li>iii. treat others with respect and value difference and maintain a safe working environment;</li> <li>iv. identify conflicts of interest and manage them;</li> <li>v. respect and maintain privacy and confidentiality;</li> </ul> </li> </ul>

	<p>vi. do not make or receive improper payments, benefits or gains;  vii. compliance with the Code of Conduct and Ethics, legal and regulatory requirements and company policies; and  viii. immediately report any breaches of the Code of Conduct and Ethics, or the Company’s policies and procedures.</p> <ul style="list-style-type: none"> <li>• The Code of Conduct and Ethics outlines the Group’s commitment to appropriate and ethical practices, establishes ethical standard to ensure that working environment and condition are safe and healthy, workers are treated with respect and dignity, and business operation are conducted ethically.</li> <li>• The Group Human Resource is responsible for on-going review and development of the Code of Conduct and Ethics. Failure to comply with the Code of Conduct and Ethics tantamount to a serious breach and investigation or disciplinary action will be taken by the Company for the non-compliance.</li> <li>• The Code of Conduct and Ethics is available on the company’s website at <a href="http://www.ohuawine.com.my">www.ohuawine.com.my</a>.</li> </ul>
<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**

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>	:	<ul style="list-style-type: none"><li>• The Whistle-blowing Policy was approved and adopted by the Board at the Board Meeting held on 27 February 2017.</li><li>• The Board recognises and understands the importance of Whistle-blowing policy in strengthen the overall business conduct, demonstrates accountability, enhance the integrity and ethical behaviour, facilitate the risk management and at the same time encourage sound corporate governance practices. The Whistle-blowing policy is available on the Company's website at <a href="http://www.ohuawine.com.my">www.ohuawine.com.my</a>.</li><li>• Employees should normally raise concerns with his immediate manager or their superior. However, if he believes that this is inappropriate as a result of the seriousness and sensitivity of the issues involved, he could raise his concern with the Chairman's Secretary, Wang Yang. Others should raise concerns with the Chairman's Secretary, Wang Yang. (tel: 86 0535 6020999 or e-mail: 237815790@qq.com address: No. 3 North Wolong Road Yan Tai City Shan Dong Province The PRC).</li><li>• The Chairman's Secretary maintains a record of concerns raised with him and the outcomes and will report as necessary to China Ouhua Group. If so requested, the Chairman's Secretary will do what he lawfully can to protect the whistle-blower's identity but whistle-blower should realise that he may be obliged to disclose it internally to the Board of Directors or Audit Committee or externally to the Police, the External Auditor or the Courts.</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>	:		
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**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>	:	<ul style="list-style-type: none"> <li>• The Board currently consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Company is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd ("Bursa Securities") that at least two directors or 1/3 of the board of directors, whichever is the higher, are independent directors.</li> <li>• All the Independent Directors are independent of management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgment.</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 4.2**

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>	:	Not applicable- None of the independent directors has served on the board more than nine years.	
<b>Explanation on application of the practice</b>	:		
<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>	:	<ul style="list-style-type: none"> <li>• Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background.</li> <li>• All appointment of new Board and senior management would be reviewed by Nomination Committee and Remuneration Committee before recommending to the Board for approval.</li> <li>• All re-election of Directors is recommended by Nomination Committee to the Board's further recommendation to the shareholders for approval.</li> <li>• The Board pursues diversity in both the Board level and Senior Management.</li> <li>• The Board recognises a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board whilst the diversity at Senior Management will lead to better decisions.</li> <li>• The Company had on 8 November 2017 appointed a women Executive Director namely Dato' Zhang Li.</li> </ul>

	<ul style="list-style-type: none"> <li>• Please refer to the Annual Report, Profile of Directors and the Management Team on pages 7 to 10 respectively for further information.</li> </ul>	
<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 4.5**

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>• The Board noted the recommendations of the Code on the establishment of boardroom gender diversity.</li> <li>• The Board does not have a specific policy on gender, ethnicity and age group for the appointment of its Board of Directors.</li> <li>• The Board currently has one women Director, Dato' Zhang Li who was appointed to the Board on 8 November 2017, and this constitutes 20% of the Board.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Board shall at all times promotes and welcomes diversity and gender mix in its composition and gives due recognition to the technical and business experience of the Directors. The Board through the Nomination Committee will consider further gender diversity as part of its future selection and will look into increasing more female board representation and Management Team as well as in year 2018.</li> </ul>
<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> :	Departure
<b>Explanation on application of the practice</b> :	
<b>Explanation for departure</b> :	<ul style="list-style-type: none"> <li>• In identifying candidates for appointment of directors, the board ordinarily goes through recommendations from existing board members, management or major shareholders.</li> <li>• The Board is of the opinion that this is beneficial in view of the relatively shorter timeframe to identify competent and suitable candidate for appointment.</li> </ul>



	<ul style="list-style-type: none"> <li>• For the future appointment of directors, the Board will source for the most suitable candidates through its Human Resource department.</li> </ul>
<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 4.7

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> :	<ul style="list-style-type: none"> <li>• The Nominating Committee is now chaired by an Independent Director Mr Ang Yee Hooi, who is competent in carrying out the role and responsibilities as Chairman of the NC, and is able to give advice to the Board and to facilitate the Board as a whole.</li> </ul>
<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 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>	:	<ul style="list-style-type: none"><li>• The Board's performance and effectiveness are assessed on annual basis. The Board's performance evaluation is supported with assessment carried out on each individual Director's performance and contribution in respect of their individual contribution, interaction and quality of input to the Board's effectiveness.</li><li>• The Board Committees are also subjected to annual assessment and the evaluation processes taking due consideration of each committee's contribution and effectiveness in discharging its delegated duties and responsibilities in supporting the Board.</li><li>• The NC is tasked to carry out the evaluation of the effectiveness of the Board and individual Directors annually, including independent non-executive directors. All assessments and evaluations carried out by the NC in the discharge of all its functions shall be properly documented.</li><li>• The NC had on 27 February 2018 reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including core-competencies of the Directors, the contribution of each individual directors as well as their character, integrity and time commitment, independence of the Independent Directors, effectiveness of the Board as a whole, and the Board Committees; and also the retirement of Directors eligible for re-election.</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**

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>	:	<ul style="list-style-type: none"> <li>The objective of the Group's remuneration policy is to attract and retain the Directors and Senior Management required to lead and control the Group effectively. In the case of Executive Director and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.</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

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>	:	<ul style="list-style-type: none"> <li>• The Remuneration Committee ("RC") was established to assist the Board in assessing the Directors' fees and other benefits of the Board. The RC comprised exclusively of Independent Non-Executive Directors. The Board determines the level of remuneration of its Board Members after considering the recommendations of the RC.</li> <li>• The Remuneration Committee has a written Terms of Reference which deals with its authority and duties and is disclosed in the company website at <a href="http://www.ohuawine.com.my">www.ohuawine.com.my</a>.</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

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> :	<ul style="list-style-type: none"> <li>The detailed disclosure on named basis for the remuneration of individual directors are set out in para 7.1 of the Corporate Governance Overview Statement on pages 33 to 34 of the Annual Report 2017. The remuneration of the individual Directors consists of the breakdown in directors' salaries and other emoluments, directors' fee and directors' allowance.</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>	:		
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**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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<ul style="list-style-type: none"> <li>• The top 2 senior members of management are Executive Directors of the Company and their remuneration is disclosed on aggregated and named basis under remuneration of directors in the Corporate Governance Overview Statement. The Company had not disclosed the other top three senior management's remuneration due to confidentiality and sensitivity of each remuneration package.</li> <li>• The Company will review and consider disclosing all the top five senior management's remuneration component in bands width of RM50,000 on named basis.</li> </ul>	
<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>	:	<ul style="list-style-type: none"><li>• The Chairman of the Audit Committee, Mr Sun Huifeng is not the Chairman of the Board.</li></ul>
<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**

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>	:	<ul style="list-style-type: none"> <li>• The Group recognises the importance of independence of its external auditors and that no possible conflict of interest whatsoever should arise.</li> <li>• None of the members of the Audit Committee are former key audit partners.</li> <li>• The Group will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner.</li> <li>• The policy on observation of a cooling-off period of at least 2 years for a former key audit partner prior to the appointment as a member of Audit Committee, would be incorporated in the Terms of Reference of the Audit Committee.</li> </ul>
<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**

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>	:	<ul style="list-style-type: none"> <li>• The Board is responsible for safeguarding the assets of the Group and of the Company and have taken reasonable steps in the prevention and detection of fraud and other irregularities. To this, the Board emphasised on the objectivity and independence of the external auditor, Messrs UHY Lee Seng Chan &amp; Co ("UHY Lee Seng Chan") in providing transparent reports to the shareholders.</li> <li>• Through the AC, the Board has established transparent and appropriate relationship with the Company's External Auditors. The AC had conducted an assessment on the objectivity, suitability, independence, performance, experience, competency and quality of service delivered by UHY Lee Seng Chan on 27 February 2018.</li> <li>• The AC considered the adequacy of experience and resources of the firm, the qualified staff assigned to the audit, analysed on any non-audit services rendered and fee paid (if any), tenure of services of the External Auditor (appointed since 23 October 2017). The AC is satisfied with the External Auditor's performance and recommended their re-appointment to the Board.</li> </ul>

	<ul style="list-style-type: none"> <li>• UHY Lee Seng Chan has also given declaration that they are and have been independent throughout the conduct of their audit engagement within the meaning of the Accountants (Public Accountants) Rules.</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**

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>	:	<ul style="list-style-type: none"> <li>• The Audit Committee comprises wholly of Independent Non-Executive Director</li> </ul>

#### **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>	:	<ul style="list-style-type: none"> <li>The Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.</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 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>	:	<ul style="list-style-type: none"> <li>• The Company has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives throughout the year under review. This process is reviewed by the Directors via the assistance of the Company's Internal Audit Division.</li> <li>• In establishing and reviewing the system of internal control, Internal Control Evaluation is adopted. Every department operates following the Internal Control Policy. All business units are required to document the controls and processes for managing the risks in their functional areas and to assess its effectiveness using the system.</li> <li>• Please refer the Statement on Risk Management and Internal Control on page 39-40 of the Company's 2017 Annual Report.</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 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>	:	<ul style="list-style-type: none"> <li>• The Audit Committee assists the Board in its responsibilities over the system of internal control. The Internal Auditors assist the Audit Committee with the examination and evaluation on the adequacy of the Internal control function of the Company.</li> <li>• Key elements of the Company's system of internal control include the following are disclosed in the Statement on Risk Management and Internal Control in the 2017 Annual Report:             <ol style="list-style-type: none"> <li>1) An on-going process for identifying, evaluating and managing significant risks faced by the Company; which has been in place for the year under review and reviewed by the Directors;</li> <li>2) A regular review of the performance of the Company by the Directors at its meetings to ensure it is in line with the Company's overall objectives;</li> <li>3) A regular review of the high-risk area of business processes by the Company's Internal Audit Division, which reports directly to the Audit Committee and submits the Internal Audit Report, to assess the effectiveness of internal controls and to highlight any significant risk that may adversely affect the Company. The Internal Audit Report was presented to the Audit Committee for deliberation and noted by the Board of Directors in the quarterly meetings.</li> <li>4) The Audit Committee reviewed and discussed with key management on the actions taken on issues brought up by the Company's Internal Audit Division and from the External Auditors' review of the statement.</li> <li>5) During the financial year, Internal Auditors had conducted four audits and had presented four Internal Audit Reports to the Audit Committee in quarterly meetings.</li> </ol> </li> </ul>
<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

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Risk Management Committee was established on 27 February 2018 which comprises majority of independent directors, and its members are:             <ol style="list-style-type: none"> <li>1. Wang Chao (Chief-Executive Officer) – Executive Chairman and Chief Executive Officer</li> <li>2. Sun Huifeng (Independent Non-Executive Director) - Member</li> <li>3. Ang Yee Hooi (Independent Non-Executive Director) - Member</li> </ol> </li> </ul>

### 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>	:	<ul style="list-style-type: none"><li>• The Board had established the Risk Management Committee in year 2018 which comprises majority of independent directors to oversee the Company's risk management framework and policies.</li><li>• Audit committee monitors the operation of internal audit function closely, to ensure target to be met and internal audit work to be carried out effectively and efficiently. Appointment of Internal Audit personnel is reviewed by Audit committee. Key members of audit committee have physically visited Yantai in 2016 and close-door meeting held with Internal Audit personnel without presence of management. Internal audit report submitted to internal audit committee timely and reviewed by committee. The scope and focus of internal audit work adapt to company's development, i.e. trade receivable management to be monitored constantly, fixed assets and cash management as key area also been inspected. Internal committee formally communicates with board of directors for internal audit concern and improvement to be followed up.</li><li>• During the financial year, there was no material internal control failure that was reported that would have resulted in any significant loss to the Company.</li><li>• The details of the Audit Committee's oversight over the Internal Audit function are set out under the Audit Committee Report on pages 18 to 22 of the 2017 Annual Report.</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>	:		
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**Intended Outcome**

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

**Practice 10.2**

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Company's Internal Audit Division is established to assist the Audit Committee in the discharge of its duties and responsibilities and are free from any relationship or conflict of interest or undue influence of others. Its role is to undertake independent, regular and systematic reviews of the operation of the companies to ensure proper systems of internal controls are in place. It also evaluates the processes where significant risks are identified, assessed and managed to ensure instituted controls are appropriate, effectively applied and achieve acceptable risk exposure consistent with the Company's risk management policy.</li> <li>• All the Internal Audit functions were conducted by the in-house audit team. Mr. Huang Weidong, the manager of Internal Audit Department, is an accountant and has many years' experiences in internal auditing.</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**

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> :	<ul style="list-style-type: none"> <li>• The Board recognises the importance of the right of shareholders, stakeholders and general public to be well informed on the activities and performance of the Group and to make their own evaluation and investment decision.</li> </ul> <p>The Group maintained an active and constructive communication policy that enables the Board and Management to communicate effectively with its shareholders.</p> <p>i. The Company has established its website at <a href="http://www.ohuawine.com.my">www.ohuawine.com.my</a> for shareholders and the public to access the corporate information.</p> <p>The Company's website incorporates an Investor Relations section which enhances the Investor Relations function by including analyst reports, prospectus, all announcements made by the Company, annual reports, news, stock price, as well as the corporate and governance structure of the Company.</p>

	<p>The quarterly financial results are also announced via Bursa Link immediately after the Board’s approval. This is important in ensuring equal and fair access to information by the investing public.</p> <p>ii. The Annual Report is also one of the main channels of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”). The Company dispatches its Annual Report to shareholders within the stipulated time. All information to shareholders are available electronically as soon as it is announced</p> <p>iii. The key element of the Company’s dialogue with its shareholders is the opportunity to gather views and answer questions on all issues relevant to the Company at the AGM. The notice of the AGM and related papers are sent to shareholders 28 days before the AGM. All shareholders are invited and encouraged to attend the Company’s AGM and to participate in the proceedings and understand their right to appoint a proxy. At the AGM, the shareholders are encouraged to ask questions about the resolutions being proposed as well as to seek clarification on the Group’s business and performance.</p> <p>The Company’s AGM provides an effectively and transparent communication with the shareholders where they are encouraged to raise questions to the Board during and after the AGM. The External Auditors were to attend to respond to questions or clarify queries from shareholders.</p> <p>Board members are also available before and after these meetings for informal discussions.</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>	:	<ul style="list-style-type: none"><li>• This is not applicable to the Company as the Company is not a large company.</li></ul>	
<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>	:	<ul style="list-style-type: none"> <li>• The key element of the Company's dialogue with its shareholders is the opportunity to gather views and answer questions on all issues relevant to the Company at the AGM. The notice of the AGM and related papers are sent to shareholders 28 days before the meeting. All shareholders are invited and encouraged to attend the Company's AGM and to participate in the proceedings and understand their right to appoint a proxy. At the AGM, the shareholders are encouraged to ask questions about the resolutions being proposed as well as to seek clarification on the Group's business and performance.</li> <li>• The Company issues the Notice of Annual General Meeting to shareholders of the Company more than 28 days prior to the meeting.</li> <li>• The notice of 2018 Annual General Meeting to shareholders which is dated 30 April 2018, is issued more than 28 days prior to the Company's Annual General Meeting on 26 June 2018.</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**

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>	:	<ul style="list-style-type: none"> <li>• All directors have always been committed to attend the AGM. However, the Board members include executives of the China Ouhua with global and regional responsibilities. Mr. Sun Huifeng, Chairman of AC and Mr. Zhang Fuwei, Chairman of Remuneration Committee, were unable to attend the Company's 2017 AGM due to some sudden urgent matters needed to be attended abroad.</li> <li>• However, the Chairman of the Nomination Committee was present at the 2017 AGM to provide response to the questions addressed to the Company.</li> </ul>	
<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—

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The meetings of shareholders have always been held in Kuala Lumpur at locations which are easy accessible, and not in a remote location. The upcoming 2018 AGM will be held at Best Western Hotel. Shareholders can vote in person or appoint a proxy to attend and vote on his/her behalf.	
<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>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT 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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