Corporate Governance *Overview Statement*

INTRODUCTION

The Board upholds a high regard for good corporate governance in carrying its duty to oversee the management of the Company. This statement will provide an overview of the corporate governance practices of the Company under the guidance of the Board. The Audit Committee monitors the Company's compliance with the MCCG and notes that the Company has moved towards full compliance by another four (4) new compliances this year. Whilstfull compliance is ideal, the Audit Committee takes cognisance in certain recommendations which may not be practicable for the Company. Further discussion on these are in the ensuing paragraphs.

This overview is made in compliance with Paragraph 15.25(1) of the LR with guidance drawn from Practice Note 9 of the LR and Malaysian Code on Corporate Governance (MCCG). It should be viewed with the CG Report 2019 that is available on Superlon's website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is committed to practising good corporate governance to steer the Superlon Group towards enhancing business value and long term value for its stakeholders as the underlying principle in discharging its responsibilities. The Board sets the strategic direction of the Group, establishes mission and visions for the management and continuously monitors its performance so as to protect and enhance shareholders' value. The Board is responsible for the preparation of the Company's and Group's financial statements in accordance with the provisions of the Act and the applicable approved accounting standards in Malaysia, overall strategic planning, risk management, system of internal controls, succession planning, investor relations programme as well as the corporate governance within the Group.

The Chairman of the Board sets the tone at the top, where he is mainly responsible for the overseeing and leadership of the Board in the effective discharge of its supervisory role of the Superlon Group. Mr Lim E @ Lim Hoon Nam was the Chairman of the Company until 12 July 2019. Following the review of credentials, qualification, experience, familiarity with the industry in which the Company is specialised as well as contribution of Mr Chun Kwong Pong, the Board approved to redesignate Mr Chun Kwong Pong as the Non-Independent Non-Executive Chairman of the Company. Mr Chun Kwong Pong was redesignated to the Chairman of the Company on 12 July 2019. There is a clear and distinction of roles and responsibilities between the Chairman and the Managing Director. The Board delegates some of its authorities and discretion to the Managing Director cum CEO, Executive Directors and management as well as the Board Committees.

Every Director is given an agenda with the relevant and timely information to be deliberated on five (5) business days prior to Board meetings. Minutes for every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting. All Directors have unrestricted access to the advice of the company secretaries and external auditors in the furtherance of their duties. The Board evaluates and assesses the training needs of each Director and the Directors attended various relevant training programmes, seminars, trades shows organised by the relevant regulatories and professional bodies during the financial year to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment, as follows:-

Name of Directors	Course title/Organiser
Chun Kwong Pong	FinTech and Its Impact to Capital Markets; Deep Dive into CG Cases in Malaysia: "What Went Wrong" and "What Could Be Done Better"
Liu Lee, Hsiu-Lin @ Jessica H. Liu	HVACR Vietnam 2019; Automechanika KL 2019; China Refrigeration 2019
Liu Han-Chao	ARBS Australia 2018; KLCC REVAC 2018; KL International Motor Show 2018; Dubai Big 5 2018; India Acrex 2019; Automechanika KL 2019; Vietnam HVACR 2019
Liu Jeremy	KLCC REVAC 2018; Automechanika KL 2019
Ongi Cheng San	Effect of Changes in Foreign Exchange Rates and Consolidation of Foreign Subsidiaries; The Twelfth Corporate and Tax Summit
Lim Wai Loong	KL International Motor Show 2018; Anti Money Laundering; Anti Bribery and Corruption
Lin, Po-Chih	KL International Motor Show 2018
Chee Chung Yen *(Appointed on 12.7.2019)*	Not applicable. Ms Chee Chung Yen was appointed subsequent to FYE2019.
Lim E @ Lim Hoon Nam *(Resigned on 12.7.2019)*	2019 Budget Seminar; National Tax Conference 2018; Income Tax Amnesty for Undisclosed Income-The Special Voluntary Disclosure Programme; Biological Assets: Points of Interest (MFRS 141 and MPERS S34)
Lim Wee Keong *(Resigned on 12.7.2019)*	Archidex; International Greentech & Eco Products Exhibition; Metaltech; Singapore International Water Week

Board meetings are scheduled quarterly with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of five (5) times. The attendance of the Directors who held office during the financial year is set out below:-

Name of Directors	Attendance at meetings
Chun Kwong Pong	5/5
Liu Lee, Hsiu Lin @ Jessica H. Liu	5/5
Liu Han-Chao	5/5
Liu Jeremy	5/5
Ongi Cheng San	5/5
Lim Wai Loong	4/5
Lin, Po-Chih	5/5
Chee Chung Yen *(appointed on 12.7.2019)*	-
Lim E @ Lim Hoon Nam *(resigned on 12.7.2019)*	5/5
Lim Wee Keong *(resigned on 12.7.2019)*	5/5

The Board Charter sets out the governance structure, authority and terms of reference of the Board and its committees and the management. The Board Charter is reviewed from time to time and can be found on the Company's website.

To assist the Board in fulfilling its roles, the board has three (3) committees, namely Audit Committee, Nomination Committee and Remuneration Committee, to support and assist in discharging its fiduciary duties and responsibilities. The respective functions and terms of reference and authority of the board committees have been defined by the Board. The committees report and make recommendations to the Board on matters delegated to them for deliberation. The ultimate responsibility for the final decisions on all matters lies with the Board. As and when necessary, the Board conducts a review of the delegation of responsibilities for the Company to adapt dynamically to the changing circumstances.

The Company Secretaries attend and ensure that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory registers of the Company. The Board relies on the Company Secretaries for advice on its roles and responsibilities, corporate disclosures, compliance on and updates on new regulations issued by the regulatory authorities, particularly on the Act, the LR and the MCCG.

The Code of Conduct is set by the Company to provide employees of Superlon with guidance on the standards of behaviour expected of them in performing their duties of employment and in their dealings with fellow employees, clients, suppliers and member of the community. A Feedback Channel guidance is detailed in the Code of Conduct, intended to be used for employees to raise serious and sensitive concerns, including those relating to financial reporting, unethical or illegal conduct.

2. Board Composition

Currently, three (3) out of eight (8) directors representing approximately 38% on our Board are Independent Directors. The Board has decided that there is a good balance of members who are executive, non-executive and independent directors such that no one individual or a small group of individuals can dominate the Board's decision-making process. Material audit, risk management, remuneration and nomination matters are tabled for the approval of pertinent Board Committees comprising all or majority of Independent Directors, which act as the first tier to consider those matters prior to making recommendation for Board's approval.

Currently, none of the Independent Directors have served the Board beyond nine (9) years. For the time being, the Board does not limit the tenure of the Independent Directors. In the event any Independent Directors are proposed by the Board to be retained after nine (9) years, the Board shall seek the shareholders' approval with justification to be provided. The Nomination Committee has assessed the independence of all Independent Non-Executive Directors during FYE 2019. The Nomination Committee and the Board are of the view that the Independent Directors have been discharging their responsibilities independently of management and major shareholders.

All new Director(s) duly appointed by the Board are subsequently recommended for re-election at the next AGM. All Directors retire from office at least once every three (3) years but are eligible for re-election. All new Directors attend the mandatory programme by Bursa Securities to familiarise themselves with the additional requirements for a listed company. The Company has a transparent and formal procedure for the appointment of new directors to the Board.

In view that Superlon consists of a lean management team and the principal activities are in a specialised industry, no pre-fixed criteria for recruitment is viewed necessary to be established. This creates flexibility for the Nomination Committee to seek different candidates who would have the skill matrix to support the long term strategic direction and needs of the Company. The Nomination Committee evaluates the qualification and experience of the candidates vis-a-vis the Company's requirements and where appropriate recommends to the Board for appointment. Due consideration is given to the Board mix, the experience, expertise and personal qualities of the candidates as well as the gender diversity policy. The Company practices equal employment opportunity, where there is no discrimination when it comes to employing suitable candidates to join the company.

Part of the objectives and responsibilities of the Nomination Committee is to formulate the nomination, selection and succession policies for the members of the Board, Board Committees, Chairman of the Board and key management as may be required from time to time, taking into consideration the Gender Diversity Policy encouraged by Bursa Securities. The current Board consists of two (2) females, who are the Company's Managing Director and one (1) of our Independent Directors which amounts to 25% female representation. In addition, female participation of more than 50% is evidenced in the office workforce. The Nomination Committee will advocate the Company's policy in identifying and recruiting the best qualified candidates including women candidates via equal opportunities to serve on its Board and key management in the event of recruitment. The Nomination Committee is chaired by Mr Lin, Po-Chih. The Nomination Committee comprises exclusively of Non-Executive Directors, a majority of whom is independent.

The Nomination Committee evaluates the nominations by the members of the Board, management and various other sources. The Committee also makes recommendations to the Board on new candidates for appointment and re-election to the Board. In view of our specialised industry, the Board has in the past found suitable candidates for Executive Directorships from within the company. The Board currently does not utilise open advertisements and independent search firms in nominating candidates for directorships but will do so if necessary. If an Independent Director of the Board resigns, dies or for any other reason ceases to be a member of the Board with the result that less than 1/3 of the Board are Independent Directors, the Nomination Committee shall within three (3) months appoint such number of new Independent Directors as may be required to make up the shortfall.

The Nomination Committee has reviewed the performance of the Board based on performance evaluations conducted by the Board collectively during the financial year which assessed various areas including board composition, strategy, board meeting attendance, corporate/management reporting, human capital, risk management and investor relations, and was of the view that the Board and Board Committees have discharged their responsibilities effectively. The Nomination Committee had also discussed and recommended the changes in Board composition, the appointment of new Independent Directors, retiring Directors eligible for re-election, continuing independence of Independent Directors and continuing education programmes was undertaken.

Remuneration

The remuneration of the Executive Directors is recommended to the Board by the Remuneration Committee so as to attract, retain, motivate and incentivise Directors of the necessary calibre needed to lead the Superlon Group successfully.

For Executive Directors, the component parts of the remuneration are structured so as to incentivise the individual according to the performance of the Group. The Remuneration Committee is to recommend to the Board the framework and remuneration package for each Executive Director. The Remuneration Committee meets periodically to consider all aspects of the Executive Directors' performance for recommendation of remuneration, drawing external advice when necessary.

In the case of Non-Executive Directors, the level of remuneration is based on their level of responsibilities. The determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman, is decided by the Board as a whole.

The respective Directors abstained from discussing and deliberating on their own remunerations and Directors' fees. Director's fees are subject to shareholders' approval at the AGM. The breakdown of the remuneration of each individual Director of the Company for the financial year under review is provided below:-

	SHB		SHB Group			
	Directors' salaries, bonuses and allowances RM	Directors' fees RM	Directors' salaries, bonuses and allowances RM	Employee Provident Fund RM	Directors' fees RM	Benefits in kind RM
Executive Director						
Liu Lee, Hsiu-Lin @ Jessica H. Liu	5,000	–	825,063	138,788	–	25,000
Liu Han-Chao	3,750	–	568,213	90,164	–	21,250
Liu Jeremy	3,750	–	529,813	82,866	–	5,000
Ongi Cheng San	3,750	–	457,813	69,187	–	2,500
Non-Executive Director						
Chun Kwong Pong	3,750	42,000	3,750	–	42,000	–
Lim Wai Loong	3,000	42,000	3,000	–	42,000	–
Lin, Po-Chih	3,750	42,000	3,750	–	42,000	–
Chee Chung Yen (*Appointed on 12.7.2019)*	–	–	–	–	–	–
Lim E @ Lim Hoon Nam *(Resigned on 12.7.2019)*	5,000	54,000	5,000	–	54,000	–
Lim Wee Keong (*Resigned on 12.7.2019)*	3,750	42,000	3,750	–	42,000	–

The aggregate remuneration of the top five (5) senior management of the Group is not disclosed on the Company's Annual Report taking into consideration the highly competitive industry in which the Group is operating. For purposes of shareholders' analysis, the total salaries in the Group analysed by category is disclosed in the Annual Audited Accounts. The disclosure of the employees' salaries of the Group in the audited accounts allows stakeholders to make an appreciable link between the remuneration and the performance of the Group. The Board believes that the disclosure contained in the Annual Audited Accounts would be sufficient to provide pertinent insights to shareholders on whether they are being remunerated responsibly.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Chairman of the Board is Mr Chun Kwong Pong while the Chairman of the Audit Committee is Ms Chee Chung Yen. The Audit Committee assists the Board in its responsibility to oversee and scrutinise the financial reporting and the effectiveness of the internal controls of the Group. Audit Committee members have from time to time attended various relevant training programmes, seminars and trades shows organised by relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

The Terms of Reference of Audit Committee has incorporated a policy which requires former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. In addition, to date no former key audit partner has been appointed as a member of the Audit Committee and there are no impending plans to appoint former auditors as a Director of the company.

The audit fees paid by the Group for the FYE 2019 are detailed in Note 25 in the Financial Statements. No non-audit fees were paid to the external auditors by the Group in respect of the FYE 2019 save for the fees of RM5,000 for the review of the Statement on Risk Management and Internal Control contained in the Annual Report 2018. The Audit Committee is satisfied that the provision of these services did not compromise the external auditors' independence and objectivity. The External Auditors have also provided a written confirmation confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

The Audit Committee has unrestricted access to any information pertaining to the Company and has direct communication channels with the external and internal auditors, when applicable and to the senior management of the Group.

The Audit Committee comprises of all Independent Non-Executive Directors. All members of the Committee possess a wide range of necessary skills to discharge its duties, and are financially literate to carry out their duties. The Chairman of the Audit Committee, Ms Chee Chung Yen is a member of the Malaysian Institute of Accountants or otherwise a person approved under Paragraph 15.09 (1)(c)(ii) or (iii) of the LR and Practice Note No 13 of the LR. Mr Lim Wai Loong, a member of the Audit Committee, is a Certified Financial Planner.

The duties and responsibilities of the Audit Committee pertinent to the suitability, objectivity and independence of the external auditors are as follows:-

- To consider and recommend the nomination and appointment of the external auditors, the audit fees, the query of resignation or dismissal and any other related matters;
- To oversee all matters pertaining to audit including the review of the audit plan and audit report with the external auditors;
- To review the financial statements of the Company/Group, and to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss (in the absence of the management, where necessary);
- The Chairman of the Audit Committee, to engage on a continuous basis with senior management, such as the Managing Director, the Finance Director, the external auditors as well as the internal auditors in order to be kept informed of matters affecting the Company.

2. Risk Management and Internal Control Framework

The Board regards risk management as an integral part of the business operations and has approved the framework adopted by the Group to manage its risks. The Group implements an on-going process of identifying, evaluating, monitoring and managing significant risks that may affect the Group in achieving its business objectives throughout the financial year under review. This process is periodically reviewed by the Internal Auditors and the Audit Committee and areas requiring improvement are highlighted for improvement where necessary.

The Board recognises that the system is designed to manage within an acceptable risk profile, rather than eliminate the risk of failure to achieve the business objectives of the Group. Therefore, the internal controls can only provide reasonable and not absolute assurance against the occurrence of any material loss or failure. The Group will continue to take appropriate measures to strengthen the internal control environment and processes through an optimal balance between control costs and benefits.

The Group has outsourced its internal audit function to an independent consulting firm, i.e. Matrix Corporate Consultancy Sdn Bhd which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The internal audit firm consists of one or more professional internal auditors. The internal audit personnel are free from any relationships or conflicts of interest, which could potentially impair their objectivity and independence. The Internal Audit practices adopted by the internal auditors conform with the International Standards for the Professional Practice of Internal Auditing.

The Board had received assurance from the Managing Director and the Finance Director that, to the best of their knowledge, the Group's risk management and internal control system is operating adequately and effectively in line with the Group's objectives, in all material aspects. The Risk Management overview is covered by the Audit Committee which comprises of Independent Directors.

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

1. Communication with Stakeholders

The Board acknowledges the importance of an effective, transparent and regular communication with its stakeholders. As a public listed company, the Company has put in place procedures to abide by the corporate disclosure requirements of material information as set out by Bursa Securities. The Board members are kept informed of material matters which require public disclosures and they approve the announcement of material matters prior to public disclosure. The Board is mindful that material information is to be announced timely and that confidential information should be sensitively handled to avoid leakages leading to improper use of such information. In such circumstance, the Company will also closely monitor the market activity of its securities during a period where information is withheld. Where it is believed that such information has inevitably been leaked, immediate announcement will be made.

Superlon's website consists of the relevant corporation information including the board charter, annual report, etc. Shareholders and investors are also kept informed of all major developments within the Group by way of announcements via the BURSA LINK. The Company also engages with fund managers and analysts from time to time.

2. Conduct of General Meetings

The notice for the upcoming AGM of the Group in 2019 was distributed to the shareholders together with the Annual Report on 22 August 2019, giving at least 28 days' notice prior to the AGM. All Directors were present at the last AGM to engage directly with and be accountable to the shareholders for their stewardship of the Company. The Directors, all other committee members, and external auditors were in attendance to respond to the shareholders' queries. The AGM (and any other general meetings) also serves as a forum for the Board to engage with the shareholders personally to obtain their views and feedback.

The Group held its General Meetings in Klang, Selangor where the location is accessible. Shareholders who drive have access to free parking as well. Shareholders who are unable to attend the AGM in person can authorise another person as their proxy/proxies to cast votes on his/her behalf.

This Corporate Governance Overview Statement was approved by the Board on 9 August 2019.