

This statement sets out the corporate governance practices for Zheng He Global Capital Limited (“the Company”) and its controlled entities (“the Group”) and includes a summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations. The various charters and policies are all available on the Company’s web site: [www.zhenghe.com.au](http://www.zhenghe.com.au).

## **PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT OVERSIGHT**

**Formalise and disclose the functions reserved to the board and those delegated to management.**

### **Complying.**

The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibilities include the overall strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A copy of the Board Charter is posted on the Group’s website.

Each director is given a letter upon his or her appointment which outlines the director’s duties. The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Nomination & Remuneration Committee has responsibility for evaluating the Board’s performance and intends to evaluate the Group’s key executives annually.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

**A majority of the board members should be independent.**

### **Complying.**

The Board comprises five directors, three of whom are non executive and independent. The directors considered by the Board to constitute independent directors are Mr A. L. Smith, Mr. R. Wei and Mr O. J. Woon. The test to determine independence which is used by the Company is whether a director is independent of management and any business or other relationship with the Group that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

**The chairman should be an independent director.**

### **Non- Complying.**

The Chairman, Dr. Dato Tiong Hong Tan has been Chairman of the Company since April 2009 and is a founding majority shareholder. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board’s functions.

**The roles of the chairman and the chief executive officer should not be exercised by the same individual.**

### **Complying.**

The positions of Chairman and Chief Executive Officer are held by separate persons. The Chief Executive Officer and Managing Director of the Company is Mr Kit Foo Chye.

**The board should establish a nomination committee.**

### **Complying.**

The Board has a formal Nomination & Remuneration Committee comprising of all of the independent non executive directors. The Committee’s functions and powers are formalised in a Charter.

**Provide the information indicated in the Guide to reporting on Principle 2.**

The following information will be set out in the Company’s annual report:

- The skills and experience of directors.
- The directors considered by the Board to constitute independent directors.
- A statement regarding directors' ability to take independent professional advice at the expense of the Company.
- The term of office held by each director in office at the date of the report.
- The names of members of the Company's committees and their attendance at committee meetings.

### **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

#### **Establish a code of conduct and disclose the code as to:**

- The practices necessary to maintain confidence in the Company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

#### **Companies should provide the information indicated in the Guide to reporting on Principle 3.**

##### **Complying.**

The Company has formulated a Code of Conduct which can be viewed on its website. The Code of Conduct has the commitment of the Directors and senior management to ensure practices are operating that are necessary to maintain confidence in the Company's integrity, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Share Trading Policy which can be viewed on its website.

The Company has a policy concerning the trading in the Company's securities by Directors, senior managers and employees. In summary, Directors, senior managers and employees must not deal in the Company's securities when they are in possession of insider information. Directors and senior managers must not trade during the "trading blackout" beginning at the end of the Half Year and Full Year reporting period until the release to the ASX of the Financial Results for the relevant period. Details of the Company's trading policy are posted on its website.

### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

**Companies should have a structure to independently verify and safeguard the integrity of their financial reporting. The board should establish an audit committee. The audit committee should be structured so that it:**

- Consists only of non executive directors.
- Consists of a majority of independent directors.
- Is chaired by an independent chair, who is not chair of the board.
- Has at least three members.

**The audit committee should have a formal charter. Companies should provide the information indicated in the Guide.**

### **Complying.**

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board will review the Group's half yearly and annual financial statements and will require that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has an Audit Committee that reports to the Board. The Company's Audit Committee comprises only non executive independent directors; and a chairman who is not chairman of the Board. The members of the Audit Committee during the year and their attendance at meetings of the Committee will be disclosed in the Directors' Report in the Annual Report.

The Audit Committee has a formal charter that is posted on the Company's website.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

**Companies should promote timely and balanced disclosure of all material matters concerning the company. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Companies should provide the information indicated in the Guide.**

### **Complying.**

The Company has a documented policy which has established procedures designed to ensure compliance with Australian Securities Exchange Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The focus of these procedures is on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities and improving access to information for all investors. The policy on continuous disclosure is posted on the Company's website.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

**Companies should respect the rights of shareholders and facilitate the effective exercise of those rights. Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Companies should provide the information indicated in the Guide to reporting on Principle 6.**

### **Complying.**

The Board will inform shareholders of all major developments affecting the Group's state of affairs. The Company has adopted a communications policy which is available on its website.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

**Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

### **Complying.**

The Board has responsibility for monitoring risk oversight and ensures that the Chief Executive Officer and the Chief Financial Officer or equivalent report on the status of business risks through risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. In addition the Board is responsible for reviewing the risk management framework and policies of the Group.

**The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.**

### **Complying.**

The Company's auditors review the Group's accounting controls and processes on an annual basis. This review is reported to the Board and the Board takes the action it believes necessary to ensure that the processes in place to identify the Group's material business risks are appropriate and that these risks are being effectively managed. A description of the Group's risk management policy and internal compliance and control systems is available on the Company's website.

**The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Companies should provide the information indicated in the Guide to reporting on Principle 7.**

**Complying.**

The Chief Executive Officer and Chief Financial Officer will be required to state to the Board in writing that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

**Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.**

**Complying.**

The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness.

**The board should establish a remuneration committee.**

**Complying.**

The Board has established a Nomination & Remuneration Committee. The role of the Committee is to review and make recommendations to the Board on remuneration packages and practices applicable to the Chief Executive Officer, senior executives and Directors themselves. This role also includes responsibility for share option schemes incentive performance packages and retirement and termination entitlements.

**Companies should clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.**

**Complying.**

The structure of Non Executive Directors' remuneration is distinct from that of executives. Equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. In addition, the Company has issued equity based remuneration to both executive and senior management which has been approved by shareholders at a general meeting.

**Companies should provide the information indicated in the Guide to reporting on Principle 8.**

**Complying.**

A charter setting out the responsibilities of the Nomination and Remuneration Committee has been adopted and a copy of this charter is posted on the Company's website.