

BOARD CHARTER

LUXCHEM CORPORATION BERHAD (224414-D)

BOARD CHARTER

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BOARD CHARTER

I. BOARD RESPONSIBILITIES

The Board of Directors (“Board”) representing the shareholders are empowered to ensure the proper management of the entity, including optimising long-term financial returns. The Board is responsible for ensuring that the Company and its subsidiaries (“Group”) are managed to achieve this result. This is an active, not a passive, responsibility. The Board must ensure that in good times, as well as difficult ones, management is capable of executing its responsibilities.

In addition to fulfilling its obligations for increased shareholder value, the Board has responsibility to the Group’s customers, employees, suppliers and to the environment, governance and communities where it operates, all of whom are fundamental to a successful business. All of these responsibilities, however, are founded upon the successful continuation of the business.

The duties, powers and functions of the Board are governed by the Articles of Association of the Company (“AA”), the Companies Act 2016 (“the Act”), regulatory guidelines and requirements that are in force.

Having regard to the responsibilities and obligations, the Board will direct and supervise the management of the business and affairs of the Group including:

1. Ensuring that the Group’s goals are clearly established;
2. Overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;
3. Ensuring that the Group sets strategic direction on sustainability and ethical conduct in business dealing.
4. Ensuring that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems;
5. Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing problems and reservations arising from these committees’ deliberations and reports; and
6. Ensuring that the statutory accounts of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements.

Directors should consult the Chairman and the Company Secretary, as required for any clarifications on their responsibilities and duties and any dealings from which potential conflict of interest situation may arise.

Directors must at all times be aware of their additional role as ambassadors of the Group and as such should be guided accordingly.

A Schedule of Matters reserved for collective decision of the Board is provided in Appendix A.

II. BOARD MEMBERSHIP GUIDELINES

1. Size of the Board

The maximum number of directors is stipulated in the AA. Generally, the size of the Board will be such that the common purpose, involvement, participation, harmony and sense of responsibility of the Board Members

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will not be jeopardised. It must be large enough to ensure a range of knowledge, views and experience and should be a size that encourages effectiveness.

2. Composition

The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representatives of the interests of shareholders.

At least two directors or one third of the Board, whichever is higher, shall be independent directors. If the number of directors is not a multiple of three, then the number nearest one third shall be used. The definition of independent director follows that of Paragraph 1.01 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The Nominating Committee is responsible for overseeing the selection and reviewing, on an annual basis, the appropriate skills, diversity, experience and characteristics required of Board Members, in the context of the needs of the Group with reference to its Business. The Nominating Committee is also responsible to assess annually the terms of office and performance of the Audit Committee.

Upon receipt of the recommendation from the Nominating Committee and/or shareholders of the Company, the Board itself should be responsible for selecting its Board members and Board Committees members. The Board delegates the screening and evaluation process for potential new directors and directors to be nominated for re-election to the Nominating Committee. In addition, the Chairman of the Board is required to actively participate in the selection of Board Members. A formal invitation to join the Company as a Board Member would be extended by the Chairman after approval from the Board.

In the event of an Executive Director’s service contract with the Group terminates for whatever reason, the said director is expected to resign from the Board, although the Board may, if it considers it appropriate, and subject to shareholders’ approval where necessary, re-appoint the said director as a non-executive member of the Board.

The AA provides for one third of the Board to retire at each annual general meeting and a retiring director shall be eligible for re-election.

3. External Board Appointments

Any Board Member is, while holding office, at liberty to accept other board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Company and Group and does not detrimentally affect the director’s performance as a Board Member. All such appointments must first be discussed with the Chairman before being accepted. The notification should include an indication of time that will be spent on the new appointment of directorship in other companies.

In order to further strengthen the Directors’ commitment, the Board sets the maximum executive directorship of each members in public listed companies shall not more than two (2).

4. Board Leadership

The Board shall ensure that its Chairman is a non-executive member of the Board.

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) recommends that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director. Any non-compliance of the MCCG 2012 is required to disclose in the Annual Report of the Company.

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The role of the Chairman of the Board and the Chief Executive Officer shall be separated. The position description of the Chairman and the Chief Executive Officer and Non-Executive Directors are provided in Appendices B, C and D respectively.

The Chairman is responsible for representing the Board to shareholders. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board and maintaining regular dialogue with the Chief Executive Officer over all operational matters and will consult with the Board promptly over any matter that gives him / her cause for major concern.

The Chairman will act as facilitator at meetings of the Board to ensure that no Board Member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Board Members are forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.

The Board shall also appoint amongst its members a Senior Independent Non-Executive Director to be called Senior Director, to whom concerns from the other directors, public or investors may be conveyed. Inquiries or complaints about decisions or actions taken by the Group should be addressed to the Senior Director. The roles and responsibilities of the Senior Independent Director are set out in Terms of Reference for Senior Independent Director under Appendix F.

5. Induction of New Board Members

The Chairman should ensure that all Board Members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New Board Members will also be briefed on the operations of the Group to increase their understanding of the business and the environment and markets in which the Group operates. The new Board Member will be given a copy of the following:

- i. Board Charter;
- ii. Board committees' composition and terms of reference (Appendices G – I);
- iii. Latest business plan;
- iv. Latest annual reports and Audited Financial Statements;
- v. Organisation chart and particulars on senior management;
- vi. Business operation structure; and
- vii. Minutes of past three Board of Directors' meetings,

and will meet with key management.

Board Members are expected to keep themselves abreast of changes and trends in the business and in the Group's business environment and markets and changes and trends in the economic, political, social, legal and regulatory climate that could affect the business of the Group.

6. Shareholdings by Board Members in the Company

Board Members may hold shares in the Company. When buying or selling shares in the Company, Board Members must strictly observe Chapter 14 of the Listing Requirements of Main Market Bursa Malaysia Securities Berhad, the provisions of the Act and the AA, the Director's Code of Best Practice and all relevant legislative and regulatory procedures.

III. BOARD AND MEMBER EVALUATIONS

The Chairman keeps under review, informally, the contributions made by Board Members. A broad interpretation of contribution is applied, which can be in terms of contribution to meetings of the Board, committee meetings, representing the Company or Group in public events, developing policies etc. The Nominating Committee is given the task to review annually the membership and effectiveness of the Board and the performance, contribution and independence of individual Board Members especially for Independent Non-Executive Directors to ensure that the Board's size, structure and composition meets the needs of the Company.

The Nominating Committee is required to report annually to the Board an assessment of the Board's and its committees' performance. This will be discussed with the full Board. This shall be done following the end of each financial year (or such other time as deemed appropriate).

Every year, the Nominating Committee will evaluate each individual director's contributions to the effectiveness of the Board and the relevant Board committees. The results of such evaluation will be discussed with the committee and/or the Chairman. The Chairman's own position is discussed with the Deputy Chairman (if any) and the Nominating Committee.

IV. DIRECTORS' REMUNERATION

The Board will determine the level of remuneration of Board Members, taking into consideration the recommendations of the Remuneration Committee for executive Board Members and/or the Chief Executive Officer.

Non-executive Board Members will be paid a basic fee as ordinary remuneration and will be paid a sum based on their responsibilities in committees and the Board, their attendance and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.

Executive Board Members will receive no fees but will be paid as employees of the Company in accordance with their contracts of employment with the Company. The Remuneration package for executive Board Members shall be reviewed by the Remuneration Committee and may not include a commission on or percentage of turnover.

V. BOARD STRUCTURES AND PROCEDURES

1. Board Committees

The Board may delegate responsibility for specified matters to individual members or committees of the Board. All such committees must be provided with written terms of reference which state clearly the extent and limits of their responsibilities and authority and whether they act on behalf of the Board or report back to the Board.

The present Board committees are the Audit Committee, the Remuneration Committee and the Nominating Committee. The respective committees' terms of references are set out in the following appendices:

- Audit Committee (Appendix G)
- Remuneration Committee (Appendix H)
- Nominating Committee (Appendix I)

2. Board Meetings

The Chairman should ensure that the Board meets at regular intervals throughout the year. At each scheduled meeting, the Board should consider where applicable:

- an operational report from the Chief Executive Officer covering also the trading results;
- proposals for significant capital expenditure and acquisitions;
- proposals for significant disposal of company assets;
- major issues or opportunities for the Group;
- committee minutes / Board Circular Resolutions for notation;
- changes in directorship and disclosure of interest;
- disclosure of dealings by directors / principal officers;
- summary of share ownership movement; and
- any other matters requiring its authority.

In addition, the Board shall, at periodic intervals of not more than one year:

- review the Company and Group goals;
- review the strategies for achieving the stated goals;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review non-executive Board Members' remuneration;
- review and approve the following reports and recommendations by the Audit Committee:
 - quarterly results and annual audited financial statements;
 - annual report;
 - appointment of the Group's external auditors;
 - risk assessment and control policies; and
 - any reports and recommendations by the Audit Committee.
- review and endorse reports and recommendations by the Nominating Committee on:
 - the Board composition, structure and succession;
 - the performance of, necessity for and composition of Board Committees;
 - the term of office and performance of the Audit Committee
 - the Board and individual member's evaluations; and
 - any reports and recommendations by the Nominating Committee.

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- review and endorse reports and recommendations by the Remuneration Committee on:
 - the Chief Executive Officer's performance and remuneration;
 - the remuneration policies and practices in general; and
 - any reports and recommendations by the Remuneration Committee

The AA stipulates the procedures for convening board meetings and the size and required attendance for the Board's quorum.

Board meeting agendas shall be the responsibility of the Chairman with input from Board Members and the Company Secretary. The Chairman may also ask management to participate in this process as and when needed.

The agenda for each meeting shall be circulated at least five (5) days before each meeting to the Board Members and all those who are required to attend the meeting. Information requested by the Board from management and / or external consultants shall be received together with the agenda for the meetings. However, genuine urgent matters and exceptional circumstances, for example acquisitions, could fall outside these timing requirements and shorter notice would be allowed with the Chairman's consent and approval.

Information furnished to the Board should not just be historical or bottom line and financial oriented but information that goes beyond assessing the quantitative performance of the Group and looks at other performance measures such as customer satisfaction, product and service quality, market share, market reaction, environmental performance and so on when dealing with any item on the agenda.

The Company Secretary shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Board. The minutes of meetings shall accurately record decisions taken and the views of individual Board Members, where appropriate. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall also be distributed to all members of the Board.

Board Members are expected to make every effort to attend Board meetings and prepare thoroughly. Board Members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table.

Board discussions will be open and constructive, recognising that genuinely held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary or disclosure is required by law. Subject to legal or regulatory requirements, the Board will decide the manner and timing of the publication of its decisions.

Executive Members attend Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.

3. Provision of Business or Professional Services by Board Members

To avoid a conflict of interest (actual or perceived), Board Members should not, generally provide business or professional services of an ongoing nature to the Group.

Notwithstanding the general rule, the Company and/or Group is at liberty to:

- for the purpose of a special assignment, engage the services of any Board Member having special expertise in the particular field; or
- engage the services of a firm or company of which the Board Member is a partner, director or major shareholder so long as the terms of engagement are competitive, are clearly recorded and all regulatory and legal requirements of the engagement are properly observed.

4. Access to Independent Professional Advice

In discharging directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a director considers that such advice is necessary, the director shall first discuss it with the Chairman and, having done so shall be free to proceed. The director should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the names(s) of the professional advisors that he / she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. In the event that one or more directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus.

Fees for the independent professional advice will be payable by the Company but proper approval of the Chairman will be required.

For avoidance of doubt, the above restriction shall not apply to Executive Directors acting in the furtherance of their executive responsibilities and within their delegated powers.

For the purposes of this section, independent professional advice shall include advice sought from legal experts, accountants or other professional advisor and consultants. Independent professional advice shall exclude any advice concerning the personal interests of the directors (such as with respect to their contracts or disputes with the Group), unless these are matters affecting the Board as a whole.

5. The Company Secretary

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Company Secretary appointed should be suitably qualified and competent in order to support the Board in carrying out its roles and responsibilities.

The Company Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business.

VI. RELATIONSHIP OF THE BOARD WITH MANAGEMENT

1. Access to Management and Information

Board Members have complete access to the Group's management. Board Members have unrestricted access to the information pertaining to the Company and / or Group including the Company and / or Group's auditors and consultants.

It is assumed that Board Members will use judgement to be sure that this contact is not distracting to the business operation of the Group and that such contact, if in writing, be copied to the Chief Executive Officer and Chairman.

Furthermore, the Board encourages the management to, from time to time, involves managers in Board meetings who:

- can provide additional insight into the items being discussed because of personal involvement in these areas; and / or
- represent managers with future potential that the management believes should be given exposure to the Board.

2. Position of the Chief Executive Officer

The Board will link the Company's governance and management functions through the Chief Executive Officer. All Board authority conferred on management is delegated through the Chief Executive Officer so that the authority and accountability of management is considered to be the authority and accountability of the Chief Executive Officer so far as the Board is concerned. The Board shall regularly review the division of responsibilities to ensure that the needs of the Company are consistently met.

Between Board meetings, the Chairman maintains an informal link between the Board and the Chief Executive Officer, and expects to be kept informed by the Chief Executive Officer of all important matters, and is available to the Chief Executive Officer to provide counsel and advice where appropriate.

Only decisions of the Board acting as a body are binding on the Chief Executive Officer. Decisions or instructions of individual Board Members, officers or committees are not binding except in those instances where specific authorisation is given by the Board.

3. Accountability of the Chief Executive Officer to the Board

The Chief Executive Officer is accountable to the Board for the achievement of the Company goals and for the observance of the management authorities.

At each normal Board meeting, the Board should expect to receive from or through the Chief Executive Officer:

- the operational and other reports and proposals referred to under the section on Board Meetings and Appendix A: Schedule of Matters Reserved for Collective Decision of the Board; and
- such assurances as the Board considers necessary to confirm that the management authorities are being observed.

4. Management Authorities

The Chief Executive Officer is expected to act within all specific authorities delegated to him / her by the Board.

The Chief Executive Officer is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics. In allocating the capital and resources of the Company and / or Group, the Chief Executive Officer is expected to adhere to the Company and / or Group goals. He / She is expected to not cause or permit any action without taking into account the health, safety, environmental and political consequences and their effect on long-term shareholder value.

The assets of the Group are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In managing the risks of the Group, the Chief Executive Officer is expected to not cause or permit anyone to substitute their own risk preference for those of the shareholders as a whole.

The Chief Executive Officer is expected to not permit employees and other parties working for the Group to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.

VII. RELATIONSHIP BETWEEN THE BOARD AND SHAREHOLDERS, INSTITUTIONAL INVESTORS, PRESS, CUSTOMERS, ETC

The Board will use its best endeavours to familiarise itself with issues of concern to shareholders and will make its recommendation on whether to carry out poll voting and electronic polling at the Company's Annual or Extraordinary General Meetings.

The Board believes that management speaks for the Group. Individual Board Members may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Group. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

VIII. ABSENCE OF THE CHIEF EXECUTIVE OFFICER

In the event that the Company does not have a Chief Executive Officer in office, during the period of such absence, all the provisions of this Charter (including the Appendices) that apply to the Chief Executive Officer shall apply to such other person appointed by the Board to have overall charge of the Company, unless the Board or a Board committee decides otherwise that certain provisions are not to apply or are to apply with modification. The Board and Board committees may also put in place additional rules and guidelines pertaining to this person's role.

This Section VIII shall cease to apply upon the appointment of the Chief Executive Officer.

The Board will review this Charter from time to time and make the necessary amendments to ensure that they remain consistent with the Board's objective, current law and practices.

Appendix A

SCHEDULE OF MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD

A) Financial and Business Matters

1. Approval of quarterly and final financial statements
2. Dividend policy, approval of interim and recommendation of final dividend payable
3. Approval of any significant change in accounting policies or practices
4. Remuneration of auditors and recommendations for appointment or removal of auditors
5. Capital Expenditure, Investment/Disposal exceeding RM 5 million
6. Charitable donations exceeding RM 1 million
7. Acquisition of companies / Mergers and Acquisitions
8. Disposal and write off of material operating assets and accounts exceeding RM1 million
9. Capital issues; material changes relating to the company's capital structure of its status as a listed company
10. Any transactions provided for by Bursa Malaysia Securities Berhad

B) Board/ Directorate matters

1. Terms and conditions applicable to directors
2. Succession planning for executive and non-executive directors
3. Board appointments and removals
4. Constitution and terms of reference of Board Committees
5. Appointment of Senior Independent Director
6. Reports of all meetings of Board Committees
7. Appointment and removal of Company Secretary

C) Public Reporting

1. Approval of all circulars, general meetings Notice and resolutions to be proposed to shareholders
2. Approval of press releases
3. Approval of annual report and accounts, including directors' report

D) Miscellaneous

1. Calling of shareholders' meetings
2. Employee share option scheme, allocation of executive share options
3. Major changes in employee share schemes; allocation of executive share
4. Recommendation of any changes to the companies' Memorandum and Articles of Association and Constitution
5. Prosecution, defence or settlement of litigation material to the interests of the company
6. Any change to the matters included in this schedule

The above schedule indicates those matters which the Board specifically reserves to themselves. The schedule is not, however, exclusive and does not derogate from the Board's overall duties and responsibilities.

The Board may, at their discretion, delegate consideration and /or approval of any of the above matters to a Committee of the Board specifically constituted for that purpose. Furthermore, Audit Committee, the Nominating Committee and the Remuneration Committee shall consider and determine such matters for which they are responsible in accordance with their terms of reference in force from time to time.

Appendix B

POSITION DESCRIPTION OF THE CHAIRMAN

The responsibilities of the Chairman include:

1. Providing leadership to the Board;
2. Chairing meetings of the Board in such a manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each Board Member;
3. Chairing meetings of shareholders;
4. Establishing procedures to govern the Board's work;
5. Ensuring the Board's full discharge of its duties;
6. Scheduling meetings of the full Board;
7. Organising and presenting the agenda for regular or special Board meetings based on input from other directors and the Company Secretary;
8. Ensuring proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of management's proposal and review of performance of the Company and / or Group;
9. Ensuring adequate lead time for effective study and discussion of business under consideration;
10. Identifying guidelines for the conduct of directors, and ensuring that each director is making a significant contribution. The Chairman keeps under review, informally, the contributions made by Board Members;
11. Acting as liaison between the Board and management. The Chairman should act as the main informal link between the Board and management and particularly between the Board and the Chief Executive Officer;
12. Ensuring that all Board Members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities and the business of the Group;
13. Together with the Chief Executive Officer, represents the Company and / or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments;
14. In conjunction with the Chief Executive Officer, playing a leading role in:
 - formulating the Board's strategic direction and planning process;
 - encouraging high standards of propriety and promoting efficient and effective use of staff and other resources throughout the organisation; and
 - fostering high corporate ethical standards and positive relationships with the Company's shareholders;
15. Working with the Nominating Committee, actively participate in the selection of Board Members and ensuring the membership is properly balanced;
16. Working with the Nominating Committee, ensuring proper committee structure, including assignments of members and committee chairman. The Chairman should also ensure that a formal succession plan for the Board is in place; and
17. Carrying out other duties as requested by the Board as a whole, depending on the needs and circumstances.

Appendix C

POSITION DESCRIPTION OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is accountable to the Board for the overall organisation, management, and staffing of the Company and / or Group and for the procedures in financial and other matters, including conduct and discipline. This includes promoting by leadership and example. The Chief Executive Officer's authority is explicitly provided for in the Limits of Authority. Board Members should support the Chief Executive Officer in undertaking this responsibility.

The role of the Chief Executive Officer can be summarised as follows:

1. Fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfil social responsibility;
2. Maintains a positive and ethical work climate that is conducive to attracting, retaining, and motivating a diverse group of top-quality employees at all levels;
3. Develops and recommends to the Board the operational plan and budget that support the Company's and / or the Group's long-term strategy;
4. Manages the overall business and oversees the day to day operations of the Company;
5. Ensures continuous improvement in the quality and value of the products and services provided by the Group;
6. Ensures that the Company achieves and maintains a satisfactory competitive positions within its industry;
7. Recommends management structure and operating authority levels which include delegation of responsibilities to management;
8. Ensures that the Company has an effective management team below the level of the Chief Executive Officer;
9. Ensures, in cooperation with the Nominating Committee / Board, that there is an effective succession plan in place for the Chief Executive Officer position;
10. Formulates and oversees the implementation of major corporate policies;
11. Accountable to the Board for the propriety and regularity of the finances;
12. Responsible for the financial management of the Company and / or Group and overseeing the handling of financial matters which include keeping proper accounts for prudent and economical administration, avoidance of waste and extravagance for efficient and effective use of all the resources;
13. Reports to the Board periodically on the financial positions of the Group which include forecast results as required from time to time;
14. Reports to the Board on key performance indicators in relation to the financial results, market conditions and other developments;
15. Recommends annual management salary increment and employees share option entitlement to the Remuneration Committee;
16. Reports on significant business decisions;
17. Serves as the chief spokesperson for the Group; and
18. Refers to the board committees on matters requested from time to time.

Appendix D

POSITION DESCRIPTION OF THE :

(I) NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

Non-Independent Non-Executive Directors are:

- Those who have no direct or indirect pecuniary interest in the Company other than their Directors' emoluments and their "permitted" shareholdings in the Company; or
- Those who are not employees of the Company or affiliated with it in any other way and are not involved in the day-to-day running of business but may have pecuniary interest in the Company, whether direct or indirect; or
- Those who are not employees of the Company but are standing as nominees for substantial shareholders.

The roles of the Non-Independent Non-Executive Directors can be summarised as follows:

1. Act as a bridge between management and stakeholders, particularly shareholders. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied.
2. For the board to create an environment that allows the expression of disagreement when discussing strategic issues.
3. Bring dispassionate objectivity that a director with a relationship with the Company cannot provide.

(II) INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent Directors are essential for protecting the interests of minority shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. Since an Independent Director has no conflict of interests in the discharge of his duties, he ought to approach any approval that is being sought at board level for a transaction or any matter with a watchful eye and with an inquiring mind.

Paragraph 1.01 of the Listing Requirements provides that an Independent Director is one who is independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of a listed company.

The Independent Director of the Company must be a person who:

- is not an executive director of the Company or any related corporation of the Company;
- has not been within the last 2 years and is not an officer (except as a nonexecutive director) of the Company;
- is not a major shareholder of the Company;
- is not a relative of any executive director, officer or major shareholder of the Company;
- is not acting as a nominee or representative of any executive director or major shareholder of the Company;
- has not been engaged as a professional adviser by the Company under such circumstances as prescribed by Bursa Securities or is not presently a partner, director (except as an independent director) or a major

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shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by Bursa Securities; or

- has not engaged in any transaction with the Company under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or a major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has been engaged in any transaction with the Company under such circumstances as prescribed by Bursa Securities.

Recommendation 3.2 of the MCCG 2012 recommends that the tenure of an independent director should not exceed 9 years cumulatively. After 9 years, such independent director may continue to serve on the board subject to his re-designation as a non-independent director.

Alternatively, the board may justify and seek shareholders' approval in the event it retains as an independent director a person who has served in that capacity for more than 9 years.

Appendix E

DIRECTORS' CODE OF BEST PRACTICE

Board members are required to observe the Directors' Code of Best Practice as follows:

1. Compliance at all times with this Code of Best Practice and the Board Charter.
2. Observe high standards of corporate governance at all times.
3. Adhere to the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
4. Act in good faith and in the best interests of the Company and Group.
5. Not misuse information gained in the course of duties for personal gain or for political purposes, nor seeks to use the opportunity of the service as directors to promote their private interests or those of connected persons, firms, businesses or other organisations.
6. Uphold accountability at all time. This includes ensuring that the Company's resources are properly safeguarded and the Company conducts its operations as economically, efficiently and effectively as possible at all time.
7. Board Members should not accept positions on Board committees or working groups where a conflict of interest is likely to arise, without first declaring that interest.
8. Declaration of any personal, professional or business interests that may conflict with directors' responsibilities. Guidance on declaration and registration of interests is given in the section entitled "Declaration of Interests" below.
9. Follow the guidance on acceptance of gifts and hospitality as stated in the section entitled "Guidelines on Acceptance of Gifts" below

Declaration of interests

Subject to the requirements of any acts, rules or regulations that are in force from time to time and in addition to such mandatory requirements, members of the Board are required to notify the Company Secretary changes in the following:

1. Shareholding in the Company or its related corporations, whether direct or indirect; and
2. Directorships or interests in any other corporations.

In addition to the above, Member of the Board who has a material interest, either directly or through a partner, spouse or close relative, in matters being considered by, or likely to be considered by the Board should declare that interest. Such declarations should describe the interest clearly and state whether it carries direct or indirect financial benefits. This requirement also applies to members of senior management.

Relevant interests in this context are as follows:

1. Executive and non-executive directorships of, significant shareholdings in, or employment by, public or private companies likely or possibly seeking to do business with the Company.

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2. Ownership or part-ownership of, or employment by, businesses or consultancies likely or possibly seeking to do business with the Company.

Register of Interests

The Code of Best Practice requires that a formal register of interests be established. The register should include details of all directorships and other relevant interests declared by Board Members and members of senior management.

The register should be kept up to date and maintained by the Company Secretary.

Conduct in Meetings

Any Board Member who has a clear and substantial interest in a matter under consideration by the Board should declare that interest at any meeting where the matter is to be discussed, whether or not that interest is already recorded in the register. The Board Member concerned should withdraw from the meeting during the relevant discussion or decision.

Membership of Committees

Board Members should not accept positions on Board committees or working groups where a conflict of interest is likely to arise, without first declaring that interest.

Guidelines on Acceptance of Gifts

The following set out the guidelines on acceptance of gifts:

1. The conduct of individuals must not create suspicion of any conflict between their position as a member of the Board and any private interest;
2. Board Members acting as such must not give the impression that they have been influenced by a benefit to show favour or disfavour to any person or organisation having dealings with the Company;
3. Board Members must not accept any benefit as an inducement or reward for taking any action (or specifically not taking any action) in their official capacity as a Board Member; and
4. Gifts other than of token value should generally be refused.

Appendix F

TERMS OF REFERENCE OF SENIOR INDEPENDENT DIRECTOR

1. **Senior Independent Director**

The Senior Independent Director (“SID”) shall be elected by the Board of Directors from among their members. The SID shall be the Chairman of the Nominating Committee. Any concerns with regards to the Group may be conveyed to SID.

2. **Roles and Responsibilities**

a) A Channel for Shareholders’ Concerns

The SID plays an important role in the relationship between shareholders and the Board of Directors. The SID should be available to shareholders, if the shareholders have reason for concern that contact through normal channels of chairman/chief executive had failed to resolve. The SID should also chair meetings between non-executive directors where both the Chairman and Executive Directors do not attend.

b) Performance Evaluation

The SID should normally lead the appointment process of the Chairman of the company. During the evaluation/review of the Chairman’s performance, an external third party/SID should act as a facilitator.

Appendix G

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Composition of the Audit Committee

The Audit Committee shall be appointed by the Board from amongst their numbers, which fulfils the following requirements:-

- (1) The Audit Committee must be composed of no fewer than 3 members. In the event of any vacancy in the Audit Committee (including Chairman) resulting in the non-compliance of the above, the Board shall upon the recommendation of the Nominating Committee must fill the vacancy within 3 months of the event.
- (2) All the Audit Committee members should be financially literate, with at least one member pursuant to Paragraph 15.09(1)(c):-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities") from time to time.
- (3) No alternate director shall be appointed as a member of the Audit Committee.
- (4) All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Director.
- (5) Any former key audit partner shall observe a cooling off period of at least 2 years before being appointed as a member of Audit Committee.
- (6) The member of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the company.
- (7) All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must via Nominating Committee review the terms of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with its Terms of Reference.

2. Secretary of the Audit Committee

The Secretary to the Audit Committee, shall but need not, be the Company Secretary of the Company.

3. Duties and Responsibilities of the Audit Committee

The following are the main duties and responsibilities of the Audit Committee collectively:

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- (1) Review the following and report the same to the Board of the Company:-
- (i) with the external auditors, the audit plan;
 - (ii) with the external auditors, his evaluation of the system of internal controls;
 - (iii) with the external auditors, his audit report;
 - (iv) the assistance given by the employees of the Company to the external auditors and the internal auditors;
 - (v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are being addressed;
 - (c) compliance with accounting standards and other legal requirements; and
 - (d) the going concern assumption
 - (viii) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
 - (ix) to nominate and recommend the appointment/re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors if applicable and report the same to the Board. In considering the appointment/ re-appointment of the external auditor, to consider among others:-
 - (1) the adequacy of the experience and resources of the accounting firm;
 - (2) the persons assigned to the audit;
 - (3) the accounting firm's audit engagements;
 - (4) the size and complexity of the listed issuer's group being audited; and
 - (5) the number and experience of supervisory and professional staff assigned to the particular audit;

The Audit Committee is to also consider the performance of the external auditor and its independence as below:

- (1) the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (2) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- (3) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.

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- (2) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
- (3) Assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks;
- (4) Discuss with the external auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (5) Discuss problems and reservations arising from the audits and any matter the external and internal auditors may wish to discuss in the absence of the management where necessary;
- (6) Review the external auditor's management letter and management's response therein;
- (7) In relation to the internal audit function:-
 - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (iii) ensure that the internal audit function is independent of the activities it audits and free from interference in determining the scope of internal audit, performing work and communicating results.
 - (iv) review any appraisal or assessment of the performance of the internal audit function;
 - (v) approve any appointment or termination of the internal auditors; and
 - (vi) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - (vii) investigate or cause to be investigated any activity within its Terms of Reference; and
 - (viii) to have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- (8) To discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed.

In the event that non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's External Auditors) the Company is required to state the details on the nature of non-audit services-rendered in the Audit Committee Report.
- (9) To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.
- (10) Consider the major findings of internal investigations and management's response.

4. Rights of the Audit Committee

In carrying out its duties and responsibilities, the Audit Committee will:

- a. have the authority to investigate any matter within its Terms of Reference;
- b. have the resources which are required to perform its duties;
- c. have full and unrestricted access to any information pertaining to the Company;
- d. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e. be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the Audit Committee meetings (if required) and to brief the Audit Committee; and
- f. be able to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

5. Conduct of Meetings

- (1) The Audit Committee will meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.
- (2) The quorum shall consist of a majority of Independent committee members and shall not be less than two.
- (3) Recommendations to the Audit Committee are submitted to the Board for approval.
- (4) The Secretary of the Audit Committee shall be in attendance at each Audit Committee meeting and record the proceedings of the meeting thereat.
- (5) Minutes of each meeting shall be kept as part of the statutory record of the Company upon confirmation by the Board and a copy shall be distributed to each member of the Audit Committee.
- (6) The Managing Director and other appropriate officer may be invited to attend where their presence are considered appropriate as determined by the Audit Committee Chairman.
- (7) The internal auditors and/or external auditors have the right to appear and be heard at any meeting of the Audit Committee and are recommended to attend each Audit Committee meeting.
- (8) Upon the request of the internal auditors and/or external auditors, the Audit Committee Chairman shall also convene a meeting of the Audit Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (9) The Audit Committee must be able to convene meetings with external auditors without the presence of the executive board members and management whenever deemed necessary.
- (10) Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

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- (11) The attendance of any particular Audit Committee meeting by other directors and employees of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.
- (12) Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

6. Revision of the Terms of Reference

- i. Any revision or amendment to this Terms of Reference, as proposed by the Audit Committee or any third party, shall first be presented to the Board for its approval.
- ii. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

Appendix H

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

1. **Members**

The Committee shall be appointed by the Board of Directors and shall consist of not less than two (2) members of which comprising wholly of non-executive directors, the majority of them must be Independent Directors.

The appointment of a Committee member terminates when the member ceases to be a Director, or as determined by the Board.

In the event of any vacancy in the Committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months.

The Board of Directors must review the term of office and performance of the Committee and each of its members at least once every 3 years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

2. **Chairman**

The Chairman shall be elected by the Committee from among their members.

3. **Function**

The Committee shall review and recommend to the Board, the remuneration policies, procedures and framework of Directors and Senior Management and whether the remuneration remains appropriate to each Director's and Senior Management's contribution, by taking into account the level of expertise, commitment and responsibilities undertaken.

The Committee shall review and recommend to the Board of Directors, the total individual remuneration package of the Executive Directors and Senior Management, drawing from outside advice as necessary and the Executive Directors shall play no part in decisions on their own remuneration.

Review and recommend to the Board of Directors, the appropriate remuneration packages of Non-Executive Directors and Chairman, such as Directors' fees and meeting allowances by taking into the level of expertise, commitment and responsibilities undertaken.

4. **Structures and Procedures**

The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The Committee should disclose the number of committee meetings held in a year and the details of attendance of each individual member in respect of meetings held. The quorum shall be two (2) members with majority of Independent Directors.

The Committee should be entitled to the services of a secretary.

5. **Access to Advice**

In furtherance to their duties as the Committee's members of the Company, there should be an agreed procedure for the members, whether as a full Committee or in their individual capacity, to take independent professional advice at the Company's expense, if necessary.

Appendix I

TERMS OF REFERENCE OF NOMINATING COMMITTEE

1. Members

The Nominating Committee shall be appointed by the Board of Directors and shall consist of not less than 2 members of which comprising exclusively Non-Executive Directors, the majority of whom shall be Independent Directors.

The appointment of a Nominating Committee member terminates when the member ceases to be a Director, or as determined by the Board. No Alternate Director shall be appointed as the Member of the Nominating Committee unless the Alternate to the Nominating Committee Member.

2. Chairman

The Chairman shall be elected by the members of the Nominating Committee from among their members. The Chairman shall be the Senior Independent Non-Executive Director of the Company. In the absence of the Chairman, the remaining members present shall elect one of their members amongst the Independent Non-Executive Director to be Chairman of the meeting.

3. Functions

The Nominating Committee shall:-

- i. recommend to the Board of Directors, candidates for all directorships to be filled by the shareholders or the Board of Directors including making recommendations to the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board. The Nominating Committee shall keep under review the leadership needs of the organization with a view of ensuring the continued ability to compete effectively in the organization's market place. In making its recommendations, the Nominating Committee should consider the candidates':-
 - skills, knowledge, expertise and experience;
 - professionalism;
 - integrity;
 - education;
 - cultural background;
 - gender;
 - time commitment; and
 - in the case of candidates for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidate's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- ii. in identifying candidates for appointment of Director, the Nominating Committee will consider the utilise independent sources to identify suitably qualified candidates.
- iii. review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board including core competencies which Non-Executive Directors should bring to the Board, at least annually; and make recommendations to the Board with regards to any adjustment that are deemed necessary.
- iv. to recommend to the Board whether Directors who are retiring by rotation should be put forward for re-election.

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- v. recommend to the Board of Directors, Directors to fill the seats on board committees;
- vi. assess annually the effectiveness of the board as a whole, the committees of the board and the contribution of each existing individual director and thereafter, recommend its findings to the Board of Directors;
- vii. assess annually the term of office and performance of the Audit Committee and each of its members to determine whether such Audit Committee and members have carried out their duties in accordance with their Terms of Reference.
- viii. ensure that all directors undergo appropriate induction programs and receive continuous training from time to time;
- ix. oversee appointment, management succession planning and performance evaluation of key senior officers, and recommending to the Board of Directors the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities; and
- x. apply the process as determined by the Board of Directors, for assessing the effectiveness of the board as a whole, the committees of the board, and for assessing the contribution of each individual director, including the independence of the Independent Non-Executive Directors, as well as the Chief Executive Officer and Chief Financial Officer where all assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented.

4. **Structures and Procedures**

The Nominating Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The Nominating Committee should disclose the number of Nominating Committee meetings held in a year and the details of attendance of each individual member in respect of meetings held. The quorum shall be 2 members with majority of Independent Directors.

The Nominating Committee should be entitled to the services of a secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Board of Directors, both the Company's own records and for the purposes of meeting statutory requirements, as well as obligations arising from the Listing Requirements of Bursa Malaysia Securities Berhad and/or other regulatory authorities.

5. **Access to Advice**

In furtherance to their duties as the Nominating Committee's members of the Company, there should be an agreed procedure for the members, whether as a full Committee or in their individual capacity, to take independent professional advice at the Company's expense, if necessary.

These Terms of Reference may from time to time be amended as required, subject to the approval of the Board.