

# **CHINA STATIONERY LIMITED**

## **BOARD CHARTER**

(Adopted on 23 November 2015)

# CHINA STATIONERY LIMITED

## BOARD CHARTER

TABLE OF CONTENTS	Page No.
1. Overview	2
2. Objectives	2
3. Role & Principal Responsibilities	3
4. Roles of Board Committees	5
5. Composition and Board Balance	7
6. Board Meetings	8
7. Board and Committee Evaluations	8
8. Directors' Training and Continuing Education Programme	9
9. Directors' Remuneration	9
10. Communication with investors and Shareholders	9
11. Code of Conduct and Conflict of Interest	10
12. Reporting	10

### **Appendices**

- A. Schedule of Matters Reserved for Collective Decision of the Board
- B. Terms of Reference of Audit Committee
- C. Terms of Reference of Nomination Committee
- D. Terms of Reference of Remuneration Committee

## **1. OVERVIEW**

The Board of Directors (“Board”) of China Stationery Limited (“CSL” or “the Company”) recognised Corporate Governance as being vital and important to the success of CSL and its Group of Companies’ (“Group”) business.

The Board is primarily responsible for ensuring that CSL has an appropriate corporate governance structure aimed at creating and protecting shareholder value. It is ultimately accountable and responsible for the performance and affairs of the Company and is responsible to oversee the Company’s corporate governance framework.

The Board is also responsible for ensuring that CSL Management recognises CSL’s legal and other obligations to all legitimate stakeholders.

## **2. OBJECTIVES**

The objectives of the Board Charter is to outline the principal role of the Board of Directors, the segregation of the roles, functions, responsibilities and powers of the Board, various Board Committees of the Company and matters reserved for decision-making by the Board; and the policies and practices of the Board in respect of matters such as conflicts of interest and convening of Board meetings.

This Board Charter further defines the specific responsibilities of the Board of Directors, in order to enhance coordination and communication between the Chief Executive Officer, Chief Financial Officer and the Board and more specifically, to clarify both Board and Management accountability for the benefit of the Company and its shareholders.

This Board Charter is not an “all inclusive” document and should be read as a broad expression of principles. The Board Charter will be reviewed on a periodic basis and may be amended by the Board from time to time.

### **3. ROLE AND PRINCIPAL RESPONSIBILITIES**

#### **3.1 ROLE OF THE BOARD**

3.1.1 The key role and responsibilities of the Board include, but not limited to the following:

- a. Determine the Company's vision and mission to guide and set the pace for its current operations and future development.
- b. Determine the values to be promoted throughout the Company.
- c. Determine and review the Company's goals.
- d. Determine the Company's policies such as Group Risk Management Policy, Related Party Transaction Policy, Gender Diversity Policy and etc.
- e. Review and evaluate present and future opportunities, threats and risks in the external environment and current and future strengths, weaknesses and risks relating to the Company.
- f. Formalise the Company's strategies on promoting sustainability.
- g. Review the effectiveness of CSL's implementation of its risk management system and internal control framework including determining and managing the overall risk exposure of the Group from time to time.
- h. Determine strategic options, select those to be pursued, and decide the means to implement and support them.
- i. Determine the business strategies and plans that underpin the corporate strategy.
- j. Ensure that the Company's organisational structure and capability are appropriate for implementing the chosen strategies.
- k. Delegate authority to management, and monitor and evaluate the implementation of policies, strategies and business plans.
- l. Determine monitoring criteria to be used by the Board.
- m. Ensure that internal controls are effective.
- n. Communicate with Senior Management.
- o. Ensure appropriate plans are in place for Board and Senior Management development and succession planning.
- p. Ensure that communications both to and from shareholders and relevant stakeholders are effective.
- q. Understand and take into account the interests of shareholders and relevant stakeholders.
- r. Monitor relations with shareholders and relevant stakeholders by gathering and evaluation of appropriate information.
- s. Promote the goodwill and support of shareholders and relevant stakeholders.

3.1.2 The Board should have access to all information pertaining to the Company. Management should supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.

3.1.3 The Board should be able to consult advisers and, when necessary, to seek independent professional advice at the Company's expense through an agreed procedure.

3.1.4 In discharging his/her duties, each Director must:-

- a. exercise care and diligence;
- b. act in good faith in the best interest of CSL;

- c. not improperly use his/her position or misuse information of CSL; and
- d. commit the time necessary to discharge effectively his/her role as a Director.

3.1.5 All Directors (including Executive Directors) are entitled to be heard at all Meetings and should bring an independent judgement to bear in decision making.

3.1.6 The Board of Directors is the ultimate decision making body of the Company except for matters reserved for the shareholders of the Company.

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

## 3.2 ROLES OF THE CHAIRMAN

3.2.1 The Chairman is responsible for the overall leadership and efficient functioning of the Board of Directors. The Chairman of the Board shall have the following duties:

- a. Maintain a role in recommending the skills and experience that the Board should contain and exhibit, for its effective operation;
- b. Encourage active engagement and participation by all members of the Board;
- c. Ensure that new Directors participate in a full, formal and tailored induction program;
- d. Identify the development needs of the Board as a whole to enhance its overall effectiveness as a team;
- e. Promote the highest standards of corporate governance;
- f. Ensure the long-term sustainability of the Company;
- g. Ensure the continual improvement in quality and caliber of the Executive Management;
- h. Establish a close relationship of trust with the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), provide support and advice while respecting their executive responsibility;
- i. Meet regularly with the CEO and CFO to discuss issues of importance and to ensure the effective alignment of goals of Management with that of the Board;
- j. Provide coherent leadership to the Company including, in conjunction with the CEO and CFO, representing the Company with customers, suppliers, governments, financial institutions, the media, the community and the public;
- k. Set the Board’s agenda;
- l. Ensure that Directors receive accurate, timely and clear information to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company; and
- m. Act as the Legal Representative of the Group in The People’s Republic of China.
- n. Ensure clear structure for the effective running of the Board Committees.

## 3.3 ROLES OF THE CEO

3.3.1 The CEO is responsible for the daily management, operations and administration of the Company. The CEO shall have the following duties:

- a. Implement, manage and administer corporate business strategy with the aim of executing the business plans and budgets of the Company;
- b. Manage the overall human resources and skills/competencies pool to ensure the effective and efficient running of the Company;
- c. Represent the Company with customers, suppliers, governments, financial institutions, the media, the community and the public;
- d. Formulate and recommend strategic objectives and plan of action for continuously enhancing shareholders' value to Board of Directors;
- e. Ensure adherence to policies and procedures, applicable regulations and laws, and monitoring exceptions and serious deviations; and
- f. Manage the risk portfolio of the Company.

### **3.4 RESPONSIBILITIES OF THE CFO**

The CFO is responsible for managing the financial planning, risk and record-keeping, as well as financial reporting to Board. The CFO shall have the following duties:

- a. Assist in performing all tasks necessary to achieve the organisation's mission and help execute staff succession and growth plans;
- b. Work with the CEO on the strategic vision including fostering and cultivating stakeholder relationships on city, state, and national levels, as well as assisting in the development and negotiation of contracts;
- c. Participate in developing new business, specifically assist the CEO in identifying new funding opportunities, the drafting of prospective programmatic budgets, and determining cost effectiveness of prospective service delivery;
- d. Provide the CEO with an operating budget. Work with the CEO to ensure programmatic success through cost analysis support, and compliance with all contractual and programmatic requirements;
- e. Oversee the management and coordination of all fiscal reporting activities for the organization;
- f. Attend Board and Board Committee meetings including being the lead staff on the Audit Committee; and
- g. Ensure adequate cash flow to meet the organisation's needs.

## **4. ROLES OF BOARD COMMITTEES**

Consistent with the Company's power to delegate to the Management the daily operation of the Company's business, the Board shall exercise judgment in establishing and revising the delegation of authority for Board Committees and Management. The Board has delegated specific responsibilities to the following Board Committees, which operate within clearly defined terms of reference. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

- (i) Audit Committee
- (ii) Nomination Committee
- (iii) Remuneration Committee

The committees shall operate under clearly defined terms of reference. The committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. The Chairman of the respective committees' reports to the Board on the outcome of the committee meetings and the minutes will be included in the Board Papers for Board's notification.

Each Committee has a Term of References and has been granted certain delegations.

#### **4.1 AUDIT COMMITTEE**

- 4.1.1 The Audit Committee shall comprise at least three (3) Non-Executive Directors, a majority of whom must be Independent Directors. Audit committee must have at least 1 independent director who has a principal or only place of residence in Malaysia.
- 4.1.2 No Alternate Director can be appointed as a member of the Audit Committee.
- 4.1.3 The Audit Committee will elect an Independent Non-Executive Director from amongst them as its Chairman.
- 4.1.4 The terms of reference of the Audit Committee are set out in Appendix B.
- 4.1.5 The Audit Committee meets on a quarterly basis to carry out its functions. More frequent meeting may be called as the need arises.
- 4.1.6 The CFO, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members and Management may attend any particular meeting only at the Audit Committee's invitation.

#### **4.2 NOMINATION COMMITTEE**

- 4.2.1 The Nomination Committee shall comprise exclusively of Non-Executive Directors with a majority of whom are Independent Non-Executive Directors. The size of Nomination Committee shall consist of not less than 3 members.
- 4.2.2 The Nomination Committee will elect the Senior Independent Non-Executive Director from amongst them as its Chairman as recommended by Malaysian Code of Corporate Governance 2012.
- 4.2.3 The terms of reference of the Nomination Committee are set out in Appendix C.

#### **4.3 REMUNERATION COMMITTEE**

- 4.3.1 The Remuneration Committee shall consist of not less than 3 members, majority of them shall be Independent Non-Executive Directors.
- 4.3.2 The Remuneration Committee will elect an Independent Non-Executive Director from amongst them as its Chairman.

4.3.3 The terms of reference of the Remuneration Committee are set out in Appendix D.

## **5. COMPOSITION AND BOARD BALANCE**

### **5.1 SIZE AND COMPOSITION**

5.1.1 The Board composition will be guided by the Company's Bye-Laws and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("LR").

The definitions of 'executive directors', 'non-executive directors' and 'independent directors', shall carry the same meanings as that defined (from time to time) by the LR.

5.1.2 The Board must have at least two (2) Independent Directors whose principal or only place of residence is within Malaysia.

5.1.3 The Board of the Company recognises the need for composition of the Board to reflect fair mix of independence, skills and expertise; and facilitate objectivity in decision making. High levels of professional skills and appropriate personal qualities are pre-requisite for directorships.

5.1.4 The Company's Bye-Laws provides the Company may from time to time by ordinary resolution determine the maximum number of directors and increase or reduce the number of Directors but so that the number of Directors shall never be less than four (4). The Board has been authorised by the members to appoint any person to be a Director either as an additional or to fill a casual vacancy.

5.1.5 There is a clear separation of responsibility between the Executive Chairman and the CEO to ensure that there is a balance of power and authority. The Chairman is primarily responsible for ensuring Board effectiveness whilst the CEO is responsible for the efficient management of the businesses and operations.

5.1.6 The Board shall also appoint amongst its members a Senior Independent Non-Executive Director, to whom concerns can be conveyed. The Senior Independent Non-Executive Director is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through the existing mechanisms for investor communication.

### **5.2 APPOINTMENT AND RE-ELECTION**

5.2.1 Candidates for the Board shall be considered by the Nomination Committee before recommend the same to the Board for consideration. The Board will take into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer.

5.2.2 Under Bye-Law 88(6) of the Company's Bye-Laws, the newly appointed Directors shall retire at the next Annual General Meeting ("AGM") and be eligible for re-election. According to Bye-Law 89(1) of the Bye-Laws of the Company, one-third of the Board members for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office at each AGM and shall be eligible for re-election thereat. In accordance with Bye-Law 89(2) of the



Bye-Laws, the Directors to retire in each year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day as those to retire shall (unless they otherwise agree among themselves) be determined by lot provided always that each Director shall retire at least once every three (3) years. Notwithstanding the foregoing, a Director who is over the age of seventy years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting.

### **5.3 INDEPENDENCE**

- 5.3.1 The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations.
- 5.3.2 The Independent Directors help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.
- 5.3.3 The Board and Nomination Committee undertake to assess the independence of the Independent Directors on an annual basis upon readmission or when any new interest of relationship develops.

### **5.4 TENURE OF INDEPENDENT DIRECTOR**

- 5.4.1 The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Directors' re-designation as a Non-Independent Director.
- 5.4.2 The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

## **6. BOARD MEETINGS**

The Board is scheduled to meet at least 4 times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions are to be made between the scheduled meetings. The Board deliberating on a variety of matters, including the quarterly financial results, annual audited financial statements, corporate proposal and other matters of the Company and Group during the Meeting.

The agenda for each Board meeting is circulated to all the Directors for their perusal in advance of the Board meeting date. They are given sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be briefed properly before the meeting.

## **7. BOARD AND COMMITTEE EVALUATION**

The Board shall perform a self-evaluation on an annual basis and such evaluation process shall cover the review of the performance of each individual Board member including assessment of the independence of its Independent Directors. The Board will also review self-evaluations of the Board Committees and consider appropriately any recommendations arising out of such evaluation. While the evaluation is a responsibility of the entire Board, it will be organised and assisted by the Nomination Committee.

## **8. DIRECTORS' TRAINING AND CONTINUING EDUCATION PROGRAMME**

The Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programme. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations. The Nomination Committee would also assess the training needs of the Board from time to time.

The Board will assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.

## **9. DIRECTORS' REMUNERATION**

The remuneration package for the Director is linked to the experience, scope of responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary and bonus whereby the Non-Executive Directors receive fixed director fees and other emoluments.

The Remuneration Committee will make recommendations to the Board after review the remuneration package for the Director. Details of the Directors' remuneration in aggregate for each financial year end will be disclosed in the Company's Annual Report as per LR.

## **10. COMMUNICATION WITH INVESTORS AND SHAREHOLDERS**

The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major development of the Company.

The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various disclosures and announcements made to Bursa Securities and the Company's website.

The AGM or Special General Meeting ("SGM") is the principal forum for dialogue between the Company and the shareholders. The Board will ensure that the general meetings are conducted in an efficient manner and serves as a crucial mechanism in active shareholder communications. Key ingredients behind this include the supply of comprehensive timely information to shareholders and the encouragement for their

active participation in the general meetings. The Chairman and other Directors attend the AGM and SGM will be available to answer any questions.

## **11. CODE OF CONDUCT AND CONFLICTS OF INTEREST**

The Board should ensure that they conduct their affairs with a high degree of integrity, taking note of applicable laws, codes and regulations. A member of the Board must not take any benefit from any projects or investments which are managed by the Company or promoted to its customers or potential customers. The Director must not receive any commission, fees, shares/consideration in kind or other remuneration or incentives in respect of the performance of the project/investment.

Director shall declare to the Board any personal interest, whether direct or indirect (of 'connected persons'), he may have in matters brought before the Board. This declaration shall be recorded in the minutes and the interested Director shall not participate in the debates or voting on the resolutions to be adopted in this respect.

Any decisions to enter into transactions, under which the Company's Directors, would have conflicts of interest that are material, shall be formally and unanimously approved by the full Board. Directors must inform the entire Board of (potential) conflicts of interest in their activities with, and commitments to other organisations as they arise and abstain from voting on the matter. This disclosure must include all material facts in the case of a contract or transaction involving the Director.

## **12. REPORTING**

Proceedings of all meetings are minuted and signed by the Chairman of the Meeting. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed. A record of the Board's deliberation of issues discussed and conclusion reached are captured in the minutes of the meeting by the company secretary.

Therefore, the Board has full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. In addition, all Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board meeting procedures and applicable rules and regulations are adhered to.

## **APPENDIX A**

### **SCHEDULE OF MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD**

The authorities of the Board are specified below. The authorities may be varied from time to time as determined unanimously by the Board.

#### **Conduct of Board**

- Appointment and removal of directors based on recommendations of the Nomination Committee.
- Appointment, resignation and removal of Company Secretaries.
- Appointment of Board committees and members (based on the recommendations by the Nomination Committee for the Audit and Remuneration Committees).
- Approval of terms of references of board committees and amendments to such terms.
- Appointment of senior executive positions, including that of the Chief Executive Officer and his/her duties and the continuation (or not) of their service.

#### **Remuneration**

- Approval of the remuneration arrangements for non-executive directors.
- Approval of the remuneration structure and policy for the Chief Executive Officer and where appropriate, key executives based upon recommendations of the Remuneration Committee.
- Approval of remuneration packages for the Chief Executive Officer and where appropriate, senior executives based upon recommendations of the Remuneration Committee.
- Approval of any proposed new share issuance scheme, share grant scheme and / or amendments to the existing scheme, subject to other approvals that may be required by law or regulations.

#### **Operational**

- Approval of business strategy and group operational plan and budget.
- On going review of performance against business strategy and group operational plan, including identifying and monitoring of key risks and risk management policies and actions.
- Approval of capital expenditure above RM500,000 or as may be determined from time to time.
- Approval of bad debts write-off in excess of RM500,000 per annum or as may be determined from time to time.
- Approval of investment or divestment in a company / business / property / undertaking.
- Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- Approval of changes in the major activities of the Company or Group.
- Approval of treasury policies and bank mandate.
- Setting or variation of the authority level of the Chief Executive Officer.

## **Financial**

- Approval of interim and annual financial statements after taking into consideration the recommendations of the Audit Committee.
- Approval for the release of financial announcements.
- Approval of the Annual Directors' Report and Statutory Accounts.
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
- Adoption of accounting policies after taking into consideration the recommendations of the Audit Committee.
- Approval of corporate policies and procedures after review by the Chief Executive Officer and senior executive(s) where appropriate.
- Review the effectiveness of the Group's system of internal control. This function is delegated to the Audit Committee which will in turn report to the Board on its findings.

## **Other Matters to consider including:**

- The granting of powers of attorney by the Company.
- The entering into of any indemnities or guarantees.
- Recommendations for the alteration of the Memorandum and Articles of Association of the Company.
- Alteration of the accounting reference date, registered office and name of the Company.
- Purchase of own shares by the Company.
- Issue of any debt instruments.
- Substantial charitable or other contributions.
- Scheme of reconstruction or restructuring.
- Any other significant business decision.
- Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.

## APPENDIX B

### TERMS OF REFERENCE OF AUDIT COMMITTEE

#### 1.0 PURPOSE

The purpose of the establishment of Audit Committee (“AC” or “Committee”) is to assist the Board of Directors in discharging its responsibilities to safeguard the Company’s assets, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC also provides a channel communication between the Board of Directors, Management, External Auditors and Internal Auditors.

#### 2.0 COMPOSITION AND SIZE

The AC should be appointed by the Board of Directors based on the recommendation of the Nomination Committee from amongst the Directors of the Company which fulfils the following requirements:

- (i) the AC must be composed of no fewer than 3 members;
- (ii) The AC must have at least 1 independent director who has a principal or only place of residence in Malaysia.
- (iii) all Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors;
- (iv) all Committee Members should be financially literate; and
- (v) at least one member of the AC must fulfill the financial expertise requisite of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“LR”) as follows:
  - (a) he must be a member of the Malaysian Institute of Accountants (“MIA”); or
  - (b) if he is not a member of the MIA, he must have at least 3 years’ working experience and:
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (c) fulfils such other requirements as prescribed or approved by the Bursa Securities.

In the absence of a Nomination Committee, the Board appoints the AC Members from amongst its number.

The Board of Directors must ensure that no Alternate Director is appointed as a Committee Member.

In the event of any vacancy in the Committee resulting in the non-compliance of the LR pertaining to composition of AC, the Board of Directors must fill the vacancy within 3 months of the occurrence of that event.

The Board of Directors should assess the effectiveness of the AC 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.

### 3.0 CHAIRMAN

The Board of Directors or members of the AC must elect a Chairman among the Committee members who is an Independent Non-Executive Director.

In the absence of the Chairman of the AC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

The Chairman of the AC should assume, amongst others, the following responsibilities:

- (i) Planning and conducting meetings;
- (ii) Overseeing reporting to the Board of Directors;
- (iii) Encouraging open discussion during Meetings; and
- (iv) Developing and maintaining an active on-going dialogue with Senior Management and both the Internal and External Auditors.

### 4.0 SECRETARY

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

### 5.0 MEETINGS

- (i) The AC should meet at least 4 times in each financial year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.
- (ii) Sufficient time must be allocated to thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.
- (iii) The quorum shall consist of a majority of the Independent Non-Executive Directors.
- (iv) The AC may call for a meeting as and when required with reasonable notice as

the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

- (v) The Chief Financial Officer, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members may attend any particular meeting only at the Committee's invitation.
- (vi) Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC must convene a Meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board of Directors or the Shareholders.
- (vii) The Minutes of each Meeting shall be made available to all members of the Board upon request.
- (viii) The Board of Directors should be kept aware of the Committee's activities by way of updates (including verbal reports) from the Chairman of AC during the Board Meeting.
- (ix) A resolution in writing signed or approved via letter, telex or facsimile by all Committee Members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

## 6.0 RIGHTS

- (i) The AC should have explicit authority to investigate any matter within its Terms of Reference, the resources to do so and full access to information.
- (ii) Each Committee Member has full and unrestricted access to information and is entitled to ask for further information required to make informed decisions and has right to obtain independent professional or other advice for the performance of its duties.
- (iii) The AC may use the services of outside expertise or advisors and invite outsiders with relevant experience to attend Meeting, if necessary, at the cost of the Company in accordance with a procedure to be determined by the Board of Directors towards performance of its duties.
- (iv) The AC must have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced).



- (v) The Committee must be able to convene Meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

## 7.0 KEY FUNCTIONS AND RESPONSIBILITIES

- (i) The Terms of Reference of AC should be reviewed by the Committee and updated as appropriate. The Committee should recommend any changes to the Terms of Reference to the Board of Directors for approval. The review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the AC's responsibilities.
- (ii) The AC is primarily responsible for, amongst others, the following:
  - (a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response. Also ensure a clear and direct line of communication between the Board and the external auditors through meetings and discussions;
  - (b) review the quarterly interim results, annual financial statements before submission to the Board for approval, focusing in particular on changes in or implementation of major accounting policies, significant adjustments and unusual events arising from the audit, the going concern assumption and compliance with accounting standards, the Bursa Securities LR and any other relevant statutory or regulatory requirements;
  - (c) review the adequacy and effectiveness of the internal control system and ensure co-ordination between the external auditors and management, and review the assistance given by management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary); and
  - (d) in relation to audit function, to do the following:-
    - 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;
    - review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendation of the internal audit function; and
    -

- 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.
- (e) review and discuss with the external auditors any problems and reservations which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;
  - (f) consider and recommend the appointment or re-appointment of the external auditors, who are an internationally affiliated accounting firm, at a general meeting, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit, and matters relating to the resignation or dismissal of the external auditors;
  - (g) ensuring the independence of the external and internal auditors function through active participation in the audit process;
  - (h) review related party transactions (if any) falling within the scope of the Bursa Securities LR;
  - (i) review potential conflict of interest (if any);
  - (j) review and approve all hedging policies and instruments (if any) to be implemented by the Group;
  - (k) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
  - (l) generally undertake such other functions and duties as may be required by statute or the Bursa Securities LR, or by such amendments as may be made thereto from time to time;
  - (m) verify the allocation of options under a share issuance scheme (where applicable) at the end of each financial year as being in compliance with the criteria of allocation pursuant to the share issuance scheme and to issue a statement verifying such allocation to be included in the annual report;
    - (n) review the Group risk management report quarterly and the risk management policies and practices of the Group to ensure their effectiveness; and
    - (o) review the Company's Related Party Transaction Policy from time to time.

- (iii) Where the AC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Securities LR, the Committee must promptly report such matter to Bursa Securities.

## **APPENDIX C**

### **TERMS OF REFERENCE OF NOMINATION COMMITTEE**

#### **1.0 PURPOSE**

The purpose of the establishment of the Nomination Committee (“NC” or “Committee”) is to assist the Board of Directors to identify, nominate and orientate new Directors.

#### **2.0 COMPOSITION AND SIZE**

The NC should be appointed by the Board of Directors and shall comprise exclusively of Non-Executive Directors with a majority of whom are Independent Non-Executive Directors. The size of NC shall consist of not less than 3 members.

The Board of Directors should assess the effectiveness of the NC on an annual basis. Alternative, the assessment of the NC’s performance can be carried out by individual members of the NC on a peer assessment basis, with the results forwarded to the Board of Directors for consideration, as appropriate.

#### **3.0 CHAIRMAN**

The Board of Directors or members of the NC must elect a Chairman among Committee members who is a Non-Executive Director.

In the absence of the Chairman of the NC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

#### **4.0 SECRETARY**

The Company Secretary shall be the Secretary of the NC or in his absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.

#### **5.0 MEETINGS**

- (a) The NC should meet at least once a year to discharge its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.
- (b) The quorum shall be two members with a majority of members present must be Non-Executive Directors.
- (c) The NC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

- (d) Other Directors, key executives and employees may attend any particular meeting only at the Committee's invitation.
- (e) The Minutes of each Meeting shall be made available to all members of the Board upon request.
- (f) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.
- (g) The NC should be provided with sufficient resources to undertake its duties. It should have access to services of the Company Secretary or seek professional advice at the Company's expense, if necessary, on all NC matters.
- (h) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

#### 6.0 RESPONSIBILITIES AND HOW THE COMMITTEE WORKS

- (i) The Terms of Reference of NC should be reviewed by the Board of Directors annually and updated as appropriate. The annual review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the NC's responsibilities.
- (ii) The NC is responsible for:
  - (a) re-nomination of the Directors having regard to the Director's contribution and performance.
  - (b) determining annually whether or not a Director is independent.
  - (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.
  - (d) ensuring that identifying, nominating and orientating new Directors.
  - (e) ensuring that the Board level recruitment matters are discussed in depth, allowing the Board to instead spend time on strategic and operational matters.
  - (f) ensuring that the Company recruits and retains the best available Executive and Non-Executive Directors.

- (g) recommending to the Board of Directors a Nomination Framework for the evaluation of the Board's and individual's performance for approval of the Board of Directors.
- (h) reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's contribution and performance.
- (i) recommending to the Board of Directors, candidates for all Directorships to be filled by the Shareholders or the Board of Directors after taking into consideration the candidates':
  - (aa) skills, knowledge, expertise and experience;
  - (bb) professionalism;
  - (cc) integrity; and
  - (dd) in the case of the candidates for the position of the Independent Non-Executive Directors, the NC should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.
- (j) considering, in making recommendations, candidates proposed by the Chief Executive Officer ("CEO") and within the bounds of practicability, by any Senior Management or any Director or Shareholder.
- (k) recommending to the Board of Directors, candidates to fill the seats on Board Committees.
- (l) assisting the Board in an annual review of the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- (m) assisting the Board in an annual review of the effectiveness of the Board of Directors as a whole, the Board Committees and contribution of each individual Director, including Independent Non-Executive Directors and CEO.
- (n) reviewing and approving any new employment of related persons and the proposed terms of their employment.
- (o) recommending individuals for nomination as members of the Board by assessing the desirability of renewing existing directorships. Due consideration should be given to the extent to which the interplay of the Director's expertise, skills, knowledge and experience was demonstrated with those of other Board members.
- (p) (q) periodically reporting to the Board of Directors on succession planning for the Board Chairman and CEO.

- (iii) In exercising objectivity in the assessment process, the Committee Members should not be influenced by major controlling Shareholders or the CEO or Executive Directors.
- (iv) The Board remains responsible for considering and approving recommendations from the NC.
- (v) The Board should work together with the NC to evaluate potential successors of Board Chairman and CEO.
- (vi) Each Committee Member should abstain from discussion or voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

## **APPENDIX D**

### **TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

#### **1.0 PURPOSE**

The purpose of the establishment of the Remuneration Committee (“RC” or “Committee”) is to achieve a balance between setting the level and structure of the remuneration package of Executive Directors so as to be able to attract and retain the best against its interest in not paying excessive remuneration. The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, should be a matter for the Board as a whole.

#### **2.0 COMPOSITION AND SIZE**

The RC should be appointed by the Board of Directors and shall consist of not less than 3 members, all of them shall be Independent Non-Executive Directors.

The Board of Directors, through the Nomination Committee, should assess the effectiveness of the RC on an annual basis.

#### **3.0 CHAIRMAN**

The Board of Directors or members of the RC must elect a Chairman among Committee members who is an Independent Non-Executive Director.

In the absence of the Chairman of the RC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

#### **4.0 SECRETARY**

The Company Secretary shall be the Secretary of the RC or in his absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.

#### **5.0 MEETINGS**

- (i) The RC should meet at least once a year to discharge its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.
- (ii) The quorum shall be two members with a majority of members present must be Non-Executive Directors.



- (iii) The RC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.
- (iv) Other Directors, key executives and employees may attend any particular meeting only at the Committee's invitation.
- (v) The Minutes of each Meeting shall be made available to all members of the Board upon request.
- (vi) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.
- (vii) The RC should be provided with sufficient resources to undertake its duties. It should have access to services of the Company Secretary or seek professional advice at the Company's expense, if necessary, on all RC matters.
- (viii) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

## 6.0 RESPONSIBILITIES AND HOW THE COMMITTEE WORKS

- (i) The Terms of Reference of RC should be reviewed by the Board of Directors annually and updated as appropriate. The annual review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the RC's responsibilities.
- (ii) The RC is responsible for:
  - (a) ensuring that all the Executive Directors, Chief Executive Officers ("CEO") (where the CEO is not a Director of the Company) and Senior Management are fairly rewarded for their individual contributions to the Company's overall performance.
  - (b) ensuring that the compensation and other benefits encourage Executive Directors to act in ways that enhance the Company's long term profitability and value.

- (c) ensuring that the remuneration offered to the CEO (where the CEO is not a Director of the Company) and Senior Management is commensurate with the level of executive responsibilities and is appropriate in light of the Company's performance.
  - (d) recommending to the Board of Directors a Remuneration Framework on the fee structure and level of remuneration for the Executive Directors, CEO (where the CEO is not a Director of the Company) and Senior Management.
  - (e) recommending to the Board of Directors the remuneration package for Non-Executive Directors, a remuneration framework for the Directors and Executive Directors and determine specific remuneration packages for each Executive Director, CEO (where the CEO is not a Director of the Company) and Senior Management.
  - (f) performing an annual review of the remuneration of employees related to the Board of Directors and Substantial Shareholders to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.
  - (g) reviewing and approving any bonuses, salary increment and/or promotions for the employees stated under item 6.0 (ii)(g) thereof.
  - (h) reviewing and recommending the granting of share options for the Executive Directors and Senior Management to the Board of Directors. If, however, the company is absolutely intent on granting share options to its Non-Executive Directors, then it should seek shareholders' approval prior to going ahead with the plan.
  - (i) recommending to the Board of Directors the compensation commitments and severance payments for Executive Directors, CEO (where the CEO is not a Director of the Company) and Senior Management in the event of early termination of the employment/service contract.
- (iii) The Board of Directors should determine who its Senior Management are and they may include the chief operating officer, director of subsidiaries within the group, etc., as is appropriate, in the opinion of the Board of Directors.
  - (iv) The recommendations of RC shall be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by RC.
  - (v) Each Committee Member should abstain from discussion or voting on any resolutions in respect of his own remuneration packages or that of employees related to him.