

KIM HIN INDUSTRY BERHAD

BOARD CHARTER

Reference No.	Title	Version No.	Approved date	Allocated copies
1/2012	Board Charter	1	10.12.2012	The Board of Directors as at 10.12.2012
1/2016	Board Charter	2	26.05.2016	The Board of Directors as at 26.05.2016

INTRODUCTION

The Board of Directors (“the Board”) of Kim Hin Industry Berhad (“Kim Hin” or “the Company”) recognises the importance of practicing and maintaining good corporate governance in managing the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

The Board is mindful of their duty to direct their efforts and resources towards the best interest of the Company and its shareholders while ensuring that the interests of other stakeholders are not compromised.

The Board Charter shall constitute and form an integral part of each Directors’ duties and responsibilities.

OBJECTIVE

The objectives of this Board Charter are to ensure that the Directors are aware of their duties and responsibilities as Board members and the various legislations and regulations which affect their conduct and in their dealings in respect, and on behalf of, the Company.

Overview of Board of Directors' Functions

The Board of Kim Hin Industry Berhad is to provide a general governance of the company's affairs and provide direction of a quality and nature that optimise the development, growth, and performance of the company and its subsidiaries. The role of the directors is essentially advisory in nature, with specific day-to-day management functions and decision-making delegated to the full-time officers and executive employees of the company.

Responsibilities of the Board considered essential include:

- The board is run by the chairman who is responsible for the board agenda, conduct of meetings and the preparation of correct minutes. He has the responsibility for representing the company to the outside world.
- The board formulates corporate aims that are acceptable to a spread of shareholders who may not have common objectives. Some may be long-term investors who do not mind whether dividend payouts are subordinated to creating long-term cash flow; others may be short-term investors who wish to maximize their return.
- The Board ensures that a sound future strategy and plan is established to manage the business in line with these aims.
- The Board watches out for early warning of changing business conditions or competitive pressures that may require changes to the plan.
- The Board ensures that the company has resources, particularly money and people, sufficient and capable of implementing the strategy.
- The Board ensures that financial systems are accurate, timely, will deter possible fraud, and represent assets at their correct value.
- The Board monitors performance against the plan, and takes corrective action if necessary.
- The Board ensures a sound system of internal control and appropriate business risk management¹ process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, rules, regulations and controls in areas of significant financial and business risks.
- As well as its prime obligation to the company and trusteeship for shareholders, the board fulfils its obligations towards employees, customers, suppliers and the community.
- Elect officers of the company.
- Review and confirm basic company objectives.

¹ P6, R6.1 – The Board should establish a sound framework to manage risks.

Overview of Board of Directors' Functions

- Approve major policy and management decisions.
- Adopt or change The Articles of Association of the company.
- Approve changes in policies of the company and its subsidiaries.
- Ensuring that the Group adheres to high standards of ethics and corporate behavior in accordance with the Code of Conduct for Directors². Directors are required to comply with the Code of Conduct for Directors' which amongst others includes the declaration of any personal, professional or business interest, direct or indirect which may conflict with directors responsibilities as a Board Member and to refrain from voting such transaction with the Group;
- Review the Board Charter on a periodic basis and may amend it from time to time. The Board shall publish its board charter on the Company's website³.

² P1, R1.3 – The board should formalize ethical standards through a code of conduct and ensure its compliance.

³ P1, R1.7 – The board should formalize, periodically review and make public its board charter.

Duties and Responsibilities of Directors

Executive Chairman

The Executive Chairman is primarily responsible for the orderly conduct and working of the Board. The job functions of the Executive Chairman include the following:

1. To oversee the whole organization of the Company and is accountable to the Board of Directors for its profitability.
2. To explore and initiate new business.
3. To develop objectives, strategies, directions and policy for the successful management of the Group.
4. To chair all meetings of the Board of Directors and shareholders of the Company and the Group.

Group Managing Director

The Group Managing Director's principal responsibility is to manage the overall operations of the Group by ensuring that the Group achieves its short and long term objectives in accordance with the defined objectives outlined in the business plan. The Group Managing Director's job functions cover the following:

1. To develop objectives, strategies, directions and policies for the successful management of the Group.
2. To plan, organise and control the operations of the group of companies.
3. To review and analyse results of operations in relation to budgets and objectives and ensure proper steps are taken to correct unsatisfactory conditions.
4. To be ultimately responsible for the effective implementation of the company's quality management system by:
 - Chairing the management review meeting.
 - Providing support to implement quality improvements.
 - Reviewing and approving the issuance of Quality Manual.
5. To act on behalf of the Executive Chairman in his absence.

Duties and Responsibilities of Directors (cont'd)

All directors

Fiduciary duties

- A director must act in good faith for the benefit of the company as a whole, which means its shareholders, present and future, and not merely to an individual or group of shareholders. While these duties are owed exclusively to the company, in exercising these duties, a director is required to consider not only the interests of shareholders but also the interests of employees and creditors on the company.
- An individual director must not exceed any authority conferred on him by a resolution of the board.
- A director has a duty to avoid a conflict of interest with the company. Each director is therefore required to disclose any interest which he or she has in a proposed contract or other arrangement to which the company is or may become a party. Similarly, a director must disclose any position which he or she occupies or any duty which he or she owes to a third party which might conflict with the duties owed to the company. Disclosure must be "full and frank". However, this duty of disclosure does not detract from the fundamental requirement to avoid conflicts of interest, which can only be waived with the sanction of the shareholders. The articles of association of the company (which are themselves subject to shareholder approval) may provide for a relaxation of the rule in certain specified circumstances as an aid to effective management of the company. For example, the articles may entitle a director to vote on matters in which he or she has an interest, provided that the interest has been disclosed; but this is a matter for each company to decide for itself.
- A director must not misapply the company's property. A director will be liable to account to the company for any loss caused by a misapplication of corporate assets in which he or she participated, where he or she knew or ought to have known that the relevant act was a misapplication. A director must not assume or pass to any other person any contract or business opportunity which arises out of the business of the company.
- A director must not make an unauthorised profit out of his or her position or dealings with the company. A director will be required to account to the company for any such profit which has come to the director because of his position as director. In the absence of prior disclosure to the board, such profit may be retained legitimately by a director only if the company in general meeting authorises its retention.
- A director must keep all company information confidential. Any information which the director obtains by virtue of his or her office as director must remain confidential. This requirement extends beyond the period of office as a director.

Duties and Responsibilities of Directors (cont'd)

All directors (cont'd)

Duty of skill and care

- The scope of this duty is judged against the skill and care that may reasonably be expected from a person of the director's knowledge and experience and unless the director has professed an expertise, he or she will not be expected to be an expert in relation to the company's business.
- Full-time directors will be expected to exhibit a higher standard of care than is expected of non-executive directors, commensurate with the amount of time they devote to the business.

Statutory duties and liabilities

- A director must direct the business and affairs of the company within the ambit of applicable laws and regulations.

Insolvency

- If the company is in financial difficulties, the director should call a board meeting to advise his fellow directors. A careful evaluation of the situation must be carried out at the earliest possible opportunity with the aid of professional advisers to establish the best course to take. It should be noted that these provisions apply to any person who is or was a director of a company which subsequently goes into insolvent liquidation and it is not possible to escape liability simply by resigning as a director.

Duties and Responsibilities of Directors (cont'd)

Additional duties of a Non-Executive Director

- Bring perspective and fresh point of view to the board's deliberations and have a sound objective business judgment and commercial know-how
- Provide general guidance based upon experience in special areas of expertise.
- Spend time learning the business of the company, developing informal contacts with management and other directors to build mutual trust
- Review objectively the work of management, refraining from involvement in day-to-day management.
- The fortitude to hold an opinion or carry through a correct course of action even though it might mean unpopularity or being voted off the board.

Additional duties of an Independent Director

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 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 non-executive director) of the Company;
- Is not a major shareholder of the Company;
- Is not a family member 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;

Duties and Responsibilities of Directors (cont'd)

Additional duties of an Independent Director (Cont'd)

- Has not been engaged as an 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 major shareholder, as the case may be, of a firm or corporation which provides advisory services to the Company under such circumstances as prescribed by Bursa Securities;

Recommendation 3.2 of the Malaysian Code On Corporate Governance 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.

In the event the director is to remain designated as an Independent Director, who has served in that capacity for more than nine years, the Board must justify and seek shareholders' approval.

Board Membership Guidelines

Selection and Composition of the Board

1) *Board Membership Criteria*

The Nomination Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make up of the Board. This assessment should include issues of diversity, age, skills such as understanding of manufacturing technologies, international background, etc.—all in the context of an assessment of the perceived needs of the Board at that point in time.

2) *Selection and Orientation of New Directors*

The Board itself should be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election by the shareholders. The Board delegates the screening process involved to the Nomination Committee with the direct input from the Chairman of the Board as well as the Managing Director. The Board and the Company have a complete orientation process for new Directors that include background material, meetings with senior management and visits to Company facilities. The new Board Member will be given a copy of the following:

- a) Board Charter;
- b) Code of Conduct for Directors' (Appendix A);
- c) Board committees' composition and terms of reference (Appendix B - E);
- d) Latest business plan;
- e) Latest annual report and Audited Financial Statements;
- f) Organisation chart and particulars on senior management; and
- g) Minutes of past three Board of Directors' meetings.

3) *Extending the Invitation to a Potential Director to Join the Board*

The invitation to join the Board should be extended by the Board itself, by the Chairman of the Nomination Committee, the Chairman of the Board, and the Managing Director of the Company.

Board Membership Guidelines (cont'd)

4) *Size and Composition*

The Board recognises the importance of ensuring a balance of power and authority between the Chairman and the Group Managing Director⁴ with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of Chairman and the Group Managing Director are separated and clearly defined.

The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions. The Articles of Association of the Company provides that the number of directors shall not be less than two (2) nor more than eleven (11).

At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members are Independent Directors.

5) *Term Limits*

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

6) *Retirement Age*

It is the opinion of the Board that the retirement age of 75 is appropriate.

7) *Time commitment of accepting new directorships⁵*

Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company. Any Director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

⁴ P3, R3.4 – The positions of chairman and CEO should be held by different individuals, and the Chairman must be a non-executive member of the board.

Board Membership Guidelines (cont'd)

8) *Board's Interaction With Institutional Investors, Press, Customers, Etc.*

The Board believes that the Management speaks for Kim Hin Industry Berhad. 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 Kim Hin Industry Berhad. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

9) *Regular Attendance of Non-Directors at Board Meetings*

The Board may, at its discretion if considered necessary, invite non-directors; i.e. officers of the Company/subsidiary companies, to attend Board meetings.

Should the Managing Director want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence.

10) *Board Access to Senior Management*

Board members have complete access to Kim Hin Industry Berhad's Management⁶.

It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Managing Director and the Chairman.

Furthermore, the Board encourages the Management to, from time to time, bring managers into Board Meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that the senior management believes should be given exposure to the Board.

⁵ P4, R4.1 – The board should set out expectations on time commitment for its members and protocols for accepting new directorships.

⁶ P1, R1.5 – The board should have procedures to allow its members access to information and advice.

Leadership Development

1) Formal Evaluation of the Managing Director

The full Board, after consultation with the Nomination Committee should make this evaluation annually, and it should be communicated to the Managing Director by the Chairman of the Board.

The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of Management, etc. The evaluation will be used by the Remuneration Committee in the course of its deliberations when considering the compensation of the Managing Director.

2) Succession Planning

There should be an annual report by the Managing Director to the Board on succession planning.

There should also be available, on a continuing basis, the Managing Director's recommendation as to a successor should he/she be unexpectedly unable to continue in office.

3) Management Development

There should be an annual report to the Board by the Managing Director on the Company's program for Management development.

This report should be given to the Board at the same time as the succession planning report noted previously.

Board Committees

The Board may delegate specified matters to individual members or committees of the Board to oversee critical or major functional areas and to address matters required detailed review or in-depth consideration. All such committees must be provided with written terms of reference which state clearly the extent and limits of their responsibilities and authority, specifically whether they have authority to decide on behalf of the Board or are to report back to the Board.

The Board has established the following committees:

- Audit Committee
- Risk Management Committee
- Nomination Committee
- Remuneration Committee
- Option Committee (The duty of the Option Committee is to administer the Executive Share Option Scheme of the Company in accordance to its Bye-Laws)

The respective committees' terms of reference (except Option Committee) are set out in the Appendices B, C, D and E.

Board and Member Evaluations

1. Board Compensation Review

It is appropriate for the Company to report once a year to the Nomination Committee the status of its Board compensation in relation to other similar-sized Malaysian companies. The Board believes that a meaningful portion of a Director's compensation should have a direct linkage with corporate performance as part of a Director's total compensation

Changes in Board compensation, if any, should come at the suggestion of the Nomination Committee, but with full discussion and concurrence by the Board.

2. Assessing the Board's Performance

The Nomination Committee is responsible 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 should be done following the end of each fiscal year and at the same time as the report on Board membership criteria.

The Nomination 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 Board.

3. Directors' Training and Development⁷

In addition to the mandatory programmes as required by the Bursa Securities, Board members are encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Company's operations and business. The Board will assess the training needs of the Directors and ensure the Directors have access to continuing education programme. The Board shall disclose in the Annual Report the trainings attended by the Directors.

⁷ P4, R4.2 – The board should ensure its members have access to appropriate continuing education programmes.

Directors' Remuneration

Paragraph 7.23 of the Listing Requirements on Remuneration of Directors states that fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover. Paragraph 7.24 on Increase in Directors' remuneration further states that fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Paragraph 7.31 on Appointment of Alternate Director goes on to state that a director may appoint a person approved by a majority of his co-directors to act as his alternate, provided that any fee paid by the company to the alternate shall be deducted from that director's remuneration.

Article 93 of the Company's Articles of Association stipulates the following:-

- (a) the fees of the directors shall from time to time be determined by a resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (b) The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any Committee of the Directors or general meetings of the Company or in connection with the business of the Company.
- (c) Save as provided in (a) hereof, an executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) but shall not include a commission on a percentage of turnover as the Directors may determine. All remuneration, other than the fees provided for in (a) hereof, payable to the non-executive Directors shall be determined by a resolution of the Company in general meeting.
- (d) Fees payable to non-executive Director shall be a fixed sum, and not by a commission on or percentage of profits or turnover.
- (e) Salaries payable to executive Directors may not include a commission on or percentage of turnover.
- (f) All fees paid to an Alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the later.

Directors' Remuneration (cont'd)

The Malaysian Code on Corporate Governance 2012 recommends that the Board should establish formal and transparent remuneration policies and procedures to attract and retain directors. Fair remuneration is critical to attract, retain and motivate directors. The remuneration package should be aligned with the business strategy and long-term objectives of the Company. Remuneration of the Board should reflect the Board's responsibilities, expertise and complexity of the Company's activities.

Remuneration policies

The Remuneration Committee has agreed a framework of policies within which it sets the remuneration package for each executive director. The committee also agrees the principles underlying remuneration for other senior executives.

The basic objectives of these policies are that executives, including executive directors, should receive compensation which is appropriate to their scale of responsibility and performance, and which will attract, motivate and retain executives of the necessary calibre. We believe that basic salary should be competitive in the relevant market and if performance exceeds the targets set total compensation should rise to an appropriate level. The Remuneration Committee aims to balance the entire compensation package so as to help the director attain, and encourage him or her to retain, a long-term interest in the company.

Summary of remuneration

The remuneration packages of executive directors consist of annual salary, health and car benefits, indemnity insurance, an annual bonus plan and pension contributions. Performance targets are established to achieve consistency with the interests of shareholders, with an appropriate balance between long- and short-term goals.

Directors' Remuneration (cont'd)

Executive directors' remuneration

According to Article 94 of the Company's Articles of Association, if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing (if he is an executive director) either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall be by way of a fixed sum and shall not include a commission on or percentage of profits or turnover. In the case of Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

In setting annual salary levels the committee compares KHIB's remuneration packages with those for jobs of similar type and seniority in relevant national companies. The comparisons consider the relative size of each company in terms of sales, profits and number of employees, its market capitalisation, the complexity of its operations and the spread of its business. It also considers, *inter alia*, the company's operating performance in the previous year and the Malaysia inflation rate over the same period.

Executive directors' bonuses

The company sets annual bonus targets, which are relevant to the objectives of the year. The targets were designed to align directors' interests with shareholders and covered first, the company's objectives, second the growth in operating profit and third, the growth in earnings per share.

Directors' Remuneration (cont'd)

Executive directors' service contracts

A) If the employment of the Director shall be terminated by any reason whatsoever other than stipulated hereunder as follows:-

- 1) the Director is guilty of any gross default or misconduct in connection with or affecting the business of the Company or
- 2) in the event of any serious or repeated breach or non-observance by the Director of any of the stipulations contained in the service contracts or
- 3) if the Director becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors or
- 4) if the Director is convicted of any arrestable criminal offence other than an offence under road traffic legislation for which a fine or non-custodial penalty is imposed or
- 5) if the Director shall become of unsound mind or
- 6) if the Director resigns as a director of the Company otherwise than at the request of the Company.

B) The Company shall pay a compensation to the Director equivalent to the maximum sum of RM250,000 for each year of service. In addition to the above in the event of the termination of employment under Clause A above or otherwise the Director shall be entitled to the following:-

- 1) to purchase the car provided at book value;
- 2) the transfer of a club membership of his choice ; and
- 3) all bonuses, allowances and benefits incurred herein to be pro-rated until the day of termination.

It is the Board's policy that executive directors, in the interests of their development to the benefit of KHIB, may serve as non-executive directors on the boards of other companies and may each, as a general rule, retain remuneration from such appointments.

Meeting Procedures

1. Selection of Agenda Items for Board Meetings

The Chairman of the Board and the Managing Director will establish the agenda for each Board meeting.

Each Board member is free to suggest the inclusion of item(s) on the agenda.

2. Board Materials Distributed in Advance

It is the opinion of the Board that information and data that is important to the Board's understanding of the business be distributed in writing to the Board before the Board meets. The Management will make every attempt to see that this material is as brief as possible while still providing the desired information.

3. Board Presentations

As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.

Access to Independent Professional Advice

In discharging directors' duties, each member of the Board is entitled to obtain independent professional advice⁸ at the cost of the Company.

If a director considers that such advice is necessary, the director shall first discuss 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 name(s) of the professional advisor(s) 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 furtherance of their executive responsibilities and within their delegated powers.

For the purpose 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 personal interests of directors (such as with respect to their contracts or disputes with the Group), unless these are matters affecting the Board as a whole.

⁸ P1, R1.5 – The board should have procedures to allow its members access to information and advice.

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 Secretary appointed should be suitably qualified and competent in order to support the Board in carrying out its roles and responsibilities.

The 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.

⁹ P1, R1.6 – The board should ensure it is supported by a suitably qualified and competent company secretary.

Code of Conduct for Directors

In the performance of his duties, a director should at all times observe the following Codes:

1. Corporate Governance

- 1.1 Should have a clear understanding of the aims and objectives, capabilities and capacity of the company;
- 1.2 Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;
- 1.3 Should ensure at all times that the company is properly managed and effectively controlled;
- 1.4 Should stay abreast of the affairs of the company and be kept informed of the company's compliance with relevant legislations and contractual requirements;
- 1.5 Should insist on being kept informed on all matters of importance to the company in order to be effective in corporate management;
- 1.6 Should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director is an own judge of his abilities and how best to manage his time effectively in the company in which he holds directorship;
- 1.7 Should have access to the advice and services of the company secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
- 1.8 Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the company;
- 1.9 Should disclose immediately all contractual interests whether directly or indirectly with the company;
- 1.10 Should neither divert to his own advantage any business opportunity that the company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- 1.11 Should at all times act with utmost good faith towards the company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- 1.12 Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the company is at stake.

Code of Conduct for Directors (cont'd)

2. Relationship with Shareholders, Employees, Creditors and Customers

- 2.1 Should be conscious of the interest of shareholders, employees, creditors and customers of the company;
- 2.2 Should at all times promote professionalism and raise competency of management and employees; and
- 2.3 Should ensure adequate safety measures and provide proper protection to workers and employees at work places.

3. Social Responsibilities and the Environment

- 3.1 Should ensure that necessary steps are taken in accordance with the law to properly wind-up or strike off the company register if the company has not commenced business or has ceased to carry on business and is not likely to commence business in future or again to carry on business as the case may be;
- 3.2 Should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with governmental authorities or regulatory bodies;
- 3.3 Should ensure effective use of natural resources and to improve quality of life by promoting corporate social responsibilities;
- 3.4 Should be more proactive to the needs of the community and to assist in society related programme in line with the aspirations of the concept of “Caring Society” in vision 2020; and
- 3.5 Should ensure that the activities and the operations of the company do not harm the interest and well-being of the society at large and to assist in the fight against inflation.

Terms of Reference of the Audit Committee

The Audit Committee of Kim Hin Board of Directors operates under the Terms of Reference as follows:-

1. Composition

An audit committee shall be appointed by the Board of Directors from amongst its directors and shall compose of the following:-

- a) no fewer than 3 members.
- b) all the audit committee must be non-executive directors, with a majority of them being independent directors; and
- c) at least one member of the audit committee:-
 - (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:-
 - (aa) he must have passed the examinations specified in Part 1 of the 1st 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 1st Schedule of the Accountants Act 1967.
 - (iii) fulfills such other requirements as prescribed by the Exchange.
- d) no alternate director is to be appointed as a member of the audit committee.
- e) In the event of any vacancy in an audit committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months.
- f) the Board of Directors must review the term of office and performance of an audit committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

2. Chairman of the Audit Committee

The members of an audit committee shall elect a chairman from among their number who shall be an independent director.

Terms of Reference of the Audit Committee (cont'd)

3 Functions of the Audit Committee

The functions of the Audit Committee shall be as follows:-

- (1) review the following and report the same to the Board of Directors:-
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance given by the employees to the external auditor;
 - (e) 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;
 - (f) 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;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with accounting standards and other legal requirements.
 - (h) 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 question of management integrity;
 - (i) any letter of resignation from the external auditors of the Company; and
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- (2) recommend the nomination of a person or persons as external auditors.

Terms of Reference of the Audit Committee (cont'd)

4 Rights of the Audit Committee

- A. The duties of the Audit Committee shall be in accordance with the procedure determined by the Board of Directors and at the cost of the Company:-
- (a) have 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
 - (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, at least twice a year.
- B. Where an Audit Committee 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 Listing Requirements, the Audit Committee must promptly report such matter to the Exchange.

5. Procedure of Audit Committee Meetings

Calling a Meeting

- a. Any member may call a meeting.
- b. Upon the request of external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee.

Notice of Meeting

Notice of meeting shall be circulated to members one week in advance. In case of shorter notice by majority in number of the members, the accidental omission to give notice of a meeting, or the non-receipt of such notice of a meeting, by any member shall not invalidate proceedings of a meeting.

Quorum

To form a quorum of an audit committee meeting, the majority of members present must be independent directors.

Attendance of other Directors and Employees

The other directors and employees may be invited to attend the Audit Committee meeting, specific to the relevant meeting.

Terms of Reference of the Audit Committee (cont'd)

Voting and Proceedings

Questions arising of any Audit Committee meeting shall be decided by a majority of votes, each member having one (1) vote and in the case of equality of votes the Chairman shall have a second or casting vote.

Minutes

The Secretary shall be responsible for the custody, production and inspection of the Audit Committee minutes.

6. Audit Committee Report

The Audit Committee must prepare a report at each of the financial year that complies with subparagraphs (a) and (b) below:

- (a) The Audit Committee report must be clearly set out in the annual report of the Company.
- (b) The audit committee report shall include the following:-
 - (i) the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (including whether the directors are independent or otherwise);
 - (ii) the number of Audit Committee meetings held during the financial year and details of attendance of each audit committee member;
 - (iii) a summary of the work of the Audit Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
 - (iv) A summary of the work of the internal audit function.

Terms of reference of Risk Management Committee

The composition of the Risk Management Committee is as follows:-

Category	No. of directors/staff
Independent Non-Executive Director	1
Executive Directors	2
Management Staff	6
Total	9

The duties of the Risk Management Committee are as follows:-

- review and recommend overall risk management policies and processes, risk management tolerances and parameters used in establishing these tolerances;
- review the Company's risk profile and the mitigation plans to address significant residual risks;
- monitor significant risks through review of risk-related performance measures, and progress on action plans; and
- review the Corporate Risk Management Policy and Risk Management Framework annually to ensure that they are both relevant and viable in providing context for risk management activities at all levels of the Group.

Specific Duties:-

- Act as an agent of the Board to ensure that all decisions relating to risk activities taken by the Board are implemented and monitored throughout the Group;
- Design and implement an appropriate and robust Group Governance infrastructure and ensure it reflects the risk appetite set by the Board;
- Monitor the effectiveness of the Group Governance infrastructure (including the internal control environment) as a whole and make recommendations on improvements, to the Board where necessary;
- Ensure mitigation strategies/action plans have been enacted by relevant business units and are operating effectively;
- Align and promulgate policy guidelines with the business objectives set by the Board;
- Ensure that risk responsibility is being correctly transacted throughout the Group;
- Ensure that changing risk circumstances within the Group are communicated to the Board;

Terms of reference of Risk Management Committee (cont'd)

- Communicate and advise on expected standards in risk management and decisions taken to all areas of the business;
- Approve policy framework, set by relevant sub-committees, for measuring the controlling Group market, liquidity, credit and operational risks;
- Review all Group compliance monitoring reports on the members of the Group to ensure that requisite action is taken promptly to correct any deficiencies and report exceptions to the Board;
- Provide a quarterly report for the Board on the effectiveness of the risk management.

Other miscellaneous activities;

- Risk management training
 - Publishing risk management policies and procedures
 - Risk management communication with the business
 - Technology to support Group Governance infrastructure

Terms of Reference of Nomination Committee (Cont'd)

Appointment/Composition

The Committee shall be appointed by the Board and shall consist of not less than 2 members consist exclusively of non-executive directors of whom the majority are independent.

An alternate director shall not be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director.

If the number of members of the Committee is reduced to below 2, the Board shall within 3 months appoint such number of new members as may be required to make up the minimum of 2 members.

Authority

The Committee is authorised by the Board for proposing new nominees for the board and for assessing directors on an on-going basis. The primary purpose of the Committee is to ensure an appropriate structure for management succession and development, which would be an effective process for director selection and tenure.

The Committee shall have unrestricted access to all of the Group's personnel records and other independent information, which shall be treated in strict confidentiality to enable it to discharge its duties. It is also authorised by the Board to seek outside legal or other independent advice and to secure attendance of outside experts if it considers necessary.

The Committee is authorized to carry out the duties mentioned below.

Terms of Reference of Nomination Committee (Cont'd)

Duties

- (a) Nomination and screening of board member candidates
- (b) Review of required mix of skills and experience and other qualities required for the Board to function completely and efficiently
- (c) Evaluation of the performance of the Board, committees and its members. The Nomination Committee needs to take into account the review of the audit committee as specified in the Paragraph 15.20 of the Listing Requirements.
- (d) Evaluation of the chief financial officer's character, experience, integrity, competence and time to effectively discharge his role in accordance with Paragraph 2.20A of the Listing Requirements.
- (e) Review, on an annual basis, the independence of Independent Directors.
- (f) Termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons
- (g) Coordination of Board Agenda and Meeting Schedules
- (h) Assignment of Committee membership and review the directors' rotational retirement.
- (i) Training and Orientation of directors
- (j) In conjunction with the Group Managing Director ("GMD") and the Remuneration Committee, development of the GMD's mission and objectives, and annual evaluation of the performance of GMD.
- (k) Establish succession planning process for executive directors and senior executives, officers and key group managers.

Frequency and Attendance

The Committee shall hold at least 1 regular meeting a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The Committee may invite any person to any particular committee meeting only at its invitation, specific to the relevant meeting.

A quorum of the Committee shall be 2 members and majority of members present must be independent directors.

The Company Secretary shall be the Secretary of the Committee.

The minutes of the each meeting shall be tabled at the Board Meeting of the Company.

Terms of reference of Remuneration Committee

Appointment/Composition

The Committee shall be appointed by the Board and shall consist of not less than 3 members of whom the majority shall be non-executive Directors.

An alternate director shall not be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director.

If the number of members of the Committee is reduced to below 3, the Board shall within 3 months appoint such number of new members as may be required to make up the minimum of 3 members.

The Committee's terms of office and performance is subject to review by the Board every 3 years to determine whether the Committee has carried out their duties in accordance with the Terms of Reference.

Authority

The Committee is authorised by the Board to recommend to the Board the remuneration of the executive director in all its form. The actual decision as to the level of remuneration payable will be the responsibility of the full board after considering the recommendations of the Remuneration Committee. It has unrestricted access to all of the Group's executive directors records to enable it to discharge its duties.

Executive directors should play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive directors, including non-executive chairmen should be a matter for the board as a whole. The individuals concerned should abstain from discussion of their own remuneration.

The Committee is authorized to carry out the duties mentioned below.

Terms of reference of Remuneration Committee (cont'd)

Duties

- (1) Establish a compensation strategy,
- (2) Establish compensation policies and programs,
- (3) Establish compensation levels of directors, Managing Director, presidents, top officers, and management group. (Full Board must approve compensation of directors and Managing Director),
- (4) Establish management development plans,
- (5) Establish compensation and employee benefit plans
- (6) Administration of stock bonus plans, stock option plans, and
- (7) Establishment of other executive and director compensation arrangements.

Frequency and Attendance

The Committee shall hold at least 1 regular meeting a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The Committee may invite any person to any particular committee meeting only at its invitation, specific to the relevant meeting.

A quorum of the Committee shall be 2 members and majority of members present must be independent directors.

The Company Secretary shall be the Secretary of the Committee.

The minutes of each meeting shall be tabled at the Board Meeting of the Company.