



**KIA LIM BERHAD**  
(342868-P)

**BOARD CHARTER**

## **1. Introduction**

The Board of Kia Lim Berhad (“Kia Lim” or the “Company”), appointed by its shareholders, is accountable to them for the performance of the Kia Lim Group of Companies (“Kia Lim Group”). The Kia Lim Board (“Board”) fulfils this accountability by ensuring that Kia Lim has an appropriate corporate governance structure aimed at creating and protecting shareholder value.

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

## **2. Purpose**

This Board Charter, which is established by the Board, sets out the roles and responsibilities of the Board and the Board Committees, the composition of the Board, and the processes and procedures for convening Board Meetings.

This Board Charter is to be a source reference to guide Board members and Senior Management. It will also assist the Board in assessment of its own performance and that of its individual Directors.

## **3. The Board**

The Board should consist of qualified individuals with different backgrounds and specialisations, collectively bringing considerable knowledge, judgment and experience to the Board. The Directors’ stewardship responsibilities include setting policies and strategies, performance monitoring, allocation of resources, risk assessment and management as well as improving governance and controls.

### **I. Roles and Responsibilities of the Board**

The board takes full responsibility for the overall performance of the Kia Lim Group and its obligations to the Company’s shareholders and stakeholders. The principal roles and responsibilities of the Board members are as follows:

- (a) reviewing and adopting a sustainable business strategy / direction of the Kia Lim Group;
- (b) approving the implementation of appropriate measures to manage Kia Lim Group’s key risks, internal controls and reporting systems;
- (c) approving and monitoring the compliance with the Directors’ Code of Ethics and Conduct;
- (d) approving annual budgets, including major capital commitments;
- (e) approving financial statements and accounting policies of the Kia Lim Group;
- (f) approving financial report to be released and related announcements;
- (g) approving the dividend declaration and payment of dividend;
- (h) approving corporate plans and programmes.
- (i) approving acquisition, disposal or closure of any business;
- (j) approving new / expansion of business ventures;
- (k) approving credit facilities, borrowings or grants;

- (l) approving management's authority limits;
- (m) developing and implementing an investor relations programme or shareholder communication channels such as telephone, mail, email, facsimile, corporate website, in person or via attendance at the General meetings;
- (n) dealing with sensitive or unusual matters of a material nature;
- (o) monitoring major litigation; and
- (p) Any other issues which may be decided by the Board from time to time.

## **II. Board Composition**

The Articles of Association of the Company provides that the number of directors shall be not less than three (3) and not more than fifteen (15).

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company must ensure that at least two (2) directors or one – third (1/3) of the Board, whichever is higher are independent directors. If the number of directors of the Company is not three (3) or a multiple of three (3), then the number nearest one - third (1/3) must be used.

The composition and size of the Board shall be reviewed from time to time to ensure its appropriateness.

The Board shall appoint a Senior Independent Director who will attend to any query or concerns raised by shareholders.

The Directors are guided by the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on attendance of at least 50% of Board meetings held in a financial year and that directorships held by any Board member at any time shall not exceed five (5) in listed companies.

## **III. Appointment and Re-election of the Board**

The Board is empowered to appoint a director upon recommendation from the Nomination Committee. In making the recommendation, the Committee will consider and evaluate the required mix of skills, knowledge, expertise and experience that a candidate bring to the Board.

The Bursa Malaysia Securities Berhad Listing Requirements provides that each Director, including the Managing and/or Executive Directors must retire from office at least once in three (3) years and shall be eligible for re-election at the Annual General Meeting ("AGM").

Directors who are newly appointed by the Board are subject to re-election by the shareholders at the immediate next AGM held following their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

## **IV. New Directorship**

Any Director of the Company is, while holding office, at liberty to accept other Board appointments as long as the appointment is not in conflict with the business and does not affect his performance as a director. This must be subsequently notified to the Chairman.

## **V. Independence of Director**

The tenure of an Independent Director, unless approved by the shareholders for such further period, shall not exceed a cumulative term of 9 years. Prior to attaining the stipulated number of years, the Nomination Committee will consider the following and recommend to the Board accordingly:

- (a) whether the Independent Director to continue to serve on the Board subject to his designation as a Non Independent Director; or
- (b) Whether to seek shareholders' approval in order to retain him as an Independent Director.

Directors are expected to advise the Chairman immediately if they believe that they may no longer be independent.

The Board undertakes to assess the independence of Independent Director on an annual basis.

## **4. Chairman, Chief Executive Officer, Directors and Management Team**

There is a clear and distinct division of responsibility between the Chairman and the Chief Executive Officer to ensure a proper balance of power and authority. The Chairman is responsible for conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board discussion and shareholders are informed of the subject matters requiring their approval while the Chief Executive Officer has the executive responsibility to manage the business. All decisions of the Board are based on decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision making process.

### **I. Chairman**

The key roles of the Chairman in the Board are as follows:-

- (a) Representing the Board to Shareholders;
- (b) Ensuring the integrity and effectiveness of the governance process of the Board;
- (c) Maintaining regular dialogue with the Executive Directors / Chief Executive Officer over all operational matters and to consult the remainder of the Board over any matter that gives him cause for major concern; and
- (d) To act as a facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussions takes place and that relevant opinion among members and management is forthcoming.

### **II. Chief Executive Officer**

The Chief Executive Officer is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. The Chief Executive Officer is responsible for the executive management of the Kia Lim Group and is accountable to the Board for its day-to-day operations. The key roles include:

- (a) developing the strategic direction of the Kia Lim Group;

- (b) exploring business opportunities which are of potential benefit to the Company;
- (c) ensuring that the Board and Board Committees are provided with sufficient information on a timely basis regarding the Company's operations, performance, financial conditions, operating results and prospects, to enable the Board and Board Committees to fulfil their governance obligations;
- (d) ensure that the Kia Lim Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board;
- (e) serve as chief spokesperson of the Company and Kia Lim Group; and
- (f) taking remedial action, where necessary.

### **III. Independent Non Executive Directors**

The Independent Non Executive Directors shall provide independent judgement and objectivity without being subordinated to operational considerations. The independent Non Executive Directors help to ensure that the interests of all shareholders, and not only the interests of a particular group, and that all relevant matters and issues are objectively and impartially considered by the Board. The roles of an Independent Executive Director, amongst others, are as follows:

- (a) provide independent judgement on issues relating to strategy, performance, resources allocation and standards of conducts;
- (b) participate actively in meetings, giving independent views in a constructive manner and bringing an element of objectivity to the Board's decision making;
- (c) provide a check and balance to the Board.

### **IV. Executive Directors and Management Team**

The Chief Executive Officer is assisted in the management of the business on a day to day basis by the Executive Directors and the Management team. The key responsibilities include:

- (a) to manage the development activities of the Kia Lim Group;
- (b) to manage and administer day-to-day operations of Kia Lim Group; and
- (c) to be responsible for the overall operational and business management and profit performance of Kia Lim Group.

## **5. Board Committees**

The Board has established the following Board Committees to assist and advise the Board in fulfilling its duties and responsibilities:

### **I. Audit Committee ("AC")**

#### ***Membership***

The Committee shall be appointed by the Board from amongst its Directors excluding alternate directors which fulfils the following requirements:

- (a) the Audit Committee must be composed of no fewer than three (3) members;

- (b) a majority of the Audit Committee must be independent directors (as defined in the Bursa Malaysia Securities Berhad Listing Requirements) and all members of the Audit Committee should be non-executive directors and financially literate; 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 three (3) years' working experience and:
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
    - 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) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

The members of the Committee shall elect a chairman from amongst the Audit Committee members who shall be an independent director.

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

### ***Reporting Procedures***

The Minutes of the Committee meeting shall be extended to all the members of the Board of Directors.

### ***Functions***

The duties and responsibilities of AC are as follows:

- (a) review the following and report the same to the Board:
- i) with the external auditor, the audit plan;
  - ii) with the external auditor, his evaluation of the system of internal controls;
  - iii) with the external auditor, his audit report;
  - iv) the assistance given by the employees of the Company to the external auditor;
  - v) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
    - changes in or implementation of major accounting policy changes;
    - significant and unusual events;
    - going concern assumptions; and
    - compliance with accounting standards and other legal requirements.
  - vi) any related party transaction and inter company transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - vii) any letter of resignation including the written explanations of the resignation from the external auditors of the Company;
  - viii) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

- (b) do the following, in relation to the internal audit function:
  - i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - ii) To review the internal audit programme, the processes and the results of any investigation undertaken and the recommendations from the internal audit;
  - iii) To consider the appointment or termination of senior staff members of the internal audit function or the outsourced service provider; and
  - iv) To review any major findings of internal audit investigations and management response.
- (c) recommend the nomination of a person or persons as external auditors and auditors' remuneration.

## **II. The Nomination Committee (“NC”)**

The duties and responsibilities of NC are as follows:-

- (a) To recommend to the Board, candidates for directorships in the Company, including directors to fill the seats in Board Committees;
- (b) To assess and review annually the boardroom diversity in respect of the required mix of skills and experience of the Board, including the core competencies which non-executive directors should bring to the Board;
- (c) To assess annually the effectiveness of the Board, the Board Committees and the contribution of each individual director;
- (d) To evaluate and determine the training needs of the Directors to enable them to effectively discharge their duties; and
- (e) To review the succession plan.
- (f) To assess and recommend to the Board, the continuation of terms of office of Independent Directors in compliance with MCCG 2012.

## **III. The Remuneration Committee (“RC”)**

The duties and responsibilities of RC are as follows:-

- (a) To review, assess and recommend to the Board the remuneration packages of the Directors in all forms including bonuses, allowances and expenses;
- (b) Ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to manage the Company successfully; and
- (c) Consider and examine such other matters relating to remuneration and rewards, as the Remuneration Committee considers appropriate or as may be determined by the Board.

## **6. Board Meeting**

The Board schedules at least four (4) meetings a year at quarterly intervals with additional meetings convened whenever urgent and important matters or decisions are required. Meetings are scheduled at the start of each financial year to enable Board members to plan their schedules accordingly. That procedure of requisition was set in Article 103 of Articles of Association.

Prior to each Board meeting, all Directors will receive a full set of Board papers with due notice of issues to be discussed in a timely manner. Relevant Directors will provide explanation on pertinent issues. All proceedings and the conclusions from the Board Meetings are minuted and signed by the Chairman in accordance with the provision of Section 156 of the Companies Act, 1965. The Company Secretary attends all the board meetings.

The Board is kept updated on the Company's financial performance activities and operations as well as other performance factors on a regular basis. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are followed. Senior management staffs are also invited to attend Board meetings when necessary to provide the Board with further explanation and clarification on matters being tabled for consideration by the Board. Minutes of the Board meetings are also maintained by the Company Secretary.

## **7. Access to Information and Independent Advice**

The Board shall be supplied with appropriate and timely information to enable it to discharge its duties. The Board papers are to be comprehensive and encompass both quantitative and qualitative information so that informed decisions can be made. The Board may request for additional information whenever it deems necessary or appropriate. Senior management staffs of the Company are invited to be in attendance at Board meetings to furnish clarification on issues that may be raised.

The Executive Directors / Chief Executive Officer, after consultation with the Chairman when necessary, ensure that all Directors have complete and timely access to information. Directors shall have access to all information within the Company, whether collectively as a Board or in their individual capacity, in furtherance of their duties.

The Executive Directors / Chief Executive Officer keep the Board informed on a timely basis of all material matters affecting the Kia Lim Group's performance and its major developments. In addition to formal Board meetings, the Chairman and the Executive Directors / Chief Executive Officer maintain regular contact with all Directors.

All Directors have access to the advice and services of the Company Secretary on matters relating to procedures regulating the Company and their compliance by the Company. In addition, the Board has put in place a procedure for Directors, whether as a full board or in their individual capacity, to have access to all information within the Company and to take independent advice where necessary, in the furtherance of their duties and at the Company's expense.

## **8. Directors' Training and Continuing Education**

In addition to the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad, the Directors will continue to undertake relevant training programmes as well as seminars to keep abreast with developments in the capital markets, relevant changes in laws and regulations and on corporate governance matters and to enhance their existing or acquire additional skills and knowledge in the discharge of their responsibilities.



## **9. Time Commitment**

The Board sets out expectations on time commitment for attending Board Meetings and General Meetings for all Directors and protocols for accepting new directorship.

The Directors are expected to confirm that they will be in a position to allocate sufficient time to meet the expectation of their role as a director.

The Directors are advised to notify the Chairman including indication of time that will be spent on the new appointment before accepting any directorship.

## **10. Directors' Remuneration**

The Remuneration Committee reviews and recommends the remuneration of the Executive Directors / CEO to the Board for approval based on the corporate and individual performance and commitment. The Remuneration Committee also reviews and recommends to the Board the fees and allowances payable to the non-executive members of the Board and the Committees in accordance with the experience and level of responsibilities undertaken.

## **11. Company Secretary**

The Company Secretary plays an advisory role to the Board and the Board Committees on issues relating to procedural and statutory requirements including their compliance.

The appointment and removal of the Company Secretary shall be a matter of the Board as a whole.

The Company Secretary shall undertake amongst others the following functions:

- (a) advise the Board and Management on governance issues;
- (b) attend Board and general meetings, and ensure the proper recording of minutes;
- (c) preparing and filing of the necessary Forms and Returns with the Companies Commission of Malaysia;
- (d) ensure proper upkeep of statutory registers and records;
- (e) Liaising with the Companies Commission of Malaysia in respect of the Company's secretarial and related affairs; and
- (f) Liaising with Bursa Malaysia Securities Berhad and Securities Commission in respect of compliance with Bursa Malaysia Securities Berhad Listing Requirements or relevant requirements, if applicable.

## **12. Shareholders and Other Communications**

The Company is committed to promoting on-going and interactive communications with its entire shareholders and other stakeholders. This link is achieved through the Annual Reports, Circular to Shareholders, announcements made to the Bursa Malaysia Securities Berhad and the shareholders' meetings. At the Annual General Meeting ("AGM") and other general meetings, the Company uses this avenue to gather views of, and answers questions from the shareholders on all issues relevant to the Kia Lim Group. Shareholders participation is

encouraged during the question and answer sessions in the general meetings, and for shareholders to provide suggestions and comments for consideration by management.

The external auditors are also present to provide their professional and independent clarification on queries raised by shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Securities at the end of the meeting day.

Shareholders and other stakeholders could also obtain general information of the Company through the website of Bursa Malaysia Securities Berhad. The Company's website, [www.kialim.com.my](http://www.kialim.com.my), further provides a comprehensive avenue for up-to-date information dissemination such as dedicated sections on corporate information, financial information and news on the Kia Lim Group.

For any feedbacks or enquires, shareholders can direct them to the Company's designated email address [ir-enquiries@kialim.com.my](mailto:ir-enquiries@kialim.com.my) or directly to the Senior Independent Non Executive Director, Mr Loh Chee Kan at his designated email address [sined@kialim.com.my](mailto:sined@kialim.com.my).

### **13. Financial Reporting**

The Board shall aim to provide and present a balanced and understandable assessment of the Kia Lim Group's financial position and prospect, primarily through the annual financial statements and quarterly financial reports to shareholders as well as the Chairman's Statement in the Annual Report.

The Audit Committee (and the external auditors) shall assist the Board in overseeing the Kia Lim Group's financial reporting processes and the quality of its financial reporting.

### **14. Directors' Code of Ethics and Conduct**

The Directors' Code of Ethics and Conduct ("Code") is to be observed by all Directors of the Kia Lim Group. The Code shall be reviewed and updated regularly to ensure that it continues to remain relevant and appropriate. The Code is made available for reference on the Company's website at [www.kialim.com.my](http://www.kialim.com.my).

### **15. Corporate Disclosure**

The Board aims to provide shareholders with comprehensive, accurate and quality information on a timely and even basis as it is in the Company's interest for maintenance of confidence.

While the Board is generally responsible for the proper dissemination of information, it designates the Chairman and / or Chief Executive Officer to oversee and coordinate on ensuring compliance with the disclosure obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## **16. Confidentiality and Disclosure of Interest**

The Directors are required to act in the best interests of the Company. The Directors also have a duty of confidentiality in relation to the Company's confidential information.

Director should disclose to the Board:

- (a) any material personal interest they have in a matter which relates to the affairs of the Company; and
- (b) any other interest (direct or indirect) which the Director believes is appropriate to disclose in order to avoid any conflict of interest or the perception of a conflict of interest.

The disclosure should be made as soon as practical after the Director becomes aware of their interest. Details of the disclosure must be recorded in the minutes of the meeting at which the disclosure is made or the meeting held following the disclosure.

## **17. Review of Board Charter**

This Board Charter has been adopted by the Board and shall be reviewed regularly to ensure that new laws, regulations or relevant developments having an impact on the discharge of the Board's responsibilities are taken into account.

The Board Charter is made available for reference on the Company's website at [www.kialim.com.my](http://www.kialim.com.my).