

UMS-NEIKEN GROUP BERHAD (650473-V)

BOARD CHARTER

1.0 INTRODUCTION

The primary objective of the Company's Board Charter is to set out the roles and responsibilities of the Board of Directors ("the Board").

The Board, whilst supportive of Management, must:

- approve and proactively participate in strategic decisions;
- challenge management with questions based on informed knowledge;
- oversee management's plans, decisions, and actions;
- monitor management's ethical conduct, financial reporting and regulatory compliance;
- play a critical role in ensuring sound and prudent policies and practices of the Company;
- be capable of effectively achieving good governance and protecting the interests of shareholders; and
- proactively support and have continuous oversight over risk management, internal controls and compliance matters involving the Company.

The Board will regularly review this charter and the terms of reference of the Board Committees to ensure they remain consistent with the Board's objectives and responsibilities, and relevant laws, regulations, guidelines and standards of corporate governance.

2.0 BOARD SIZE AND COMPOSITION

- a. The Board should comprise individuals with character, experience, integrity, competence and time to effectively discharge their role as company director. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.
- b. The number of directors shall not be less than two (2) and not more than nine (9). The appointment of directors shall be recommended by the Nomination Committee and approved by the Board.
- c. At any one time, at least two or one-third (1/3), whichever is higher, of the Board members are independent directors.
- d. The Board may appoint a senior independent director to whom shareholders' concerns can be conveyed if there are reasons that contact through the normal channels of the chairman or the Managing Director have failed to resolve them.

The Board shall appoint the senior independent director as the chairman of the Nomination Committee, unless a better candidate is available.

- e. The positions of chairman of the Board and Managing Director should be held by different individuals, and the chairman must be a non-executive member of the Board. The Board must comprise a majority of independent directors where the chairman of the Board is not an independent director.

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In the event that the positions of chairman of the Board and Managing Director are held by the same person or in the absence of such position, the Company shall provide explanation and justification in the Annual Report of the Company.

- f. The Board shall endeavour to maintain at least one (1) female director at all times to facilitate the on-going implementation of gender diversity policy.

3.0 POSITION DESCRIPTION

3.1 CHAIRMAN

- a. The chairman should:
 - i. Ensure the smooth functioning of the Board;
 - ii. Act as facilitator at meetings of the Board to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming;
 - iii. Inculcate positive culture in the Board;
 - iv. Ensure that all relevant issues are on the agenda for Board meeting and all directors are able to participate fully in the Board's activities;
 - v. Ensure that the Board debates strategic and critical issues; and
 - vi. Ensure that the Board receives the necessary information on a timely basis from Management.
- b. The Chairman will have no casting vote if two (2) directors form a quorum, or if there are only two (2) directors competent to vote on the question at issue.

3.2 MANAGING DIRECTOR

- a. Managing Director should:
 - i. Be persons of high calibre, and unquestionable integrity;
 - ii. Directly responsible for the day-to-day operations of the Company;
 - iii. Familiar with the Company's performance, the adequacy of internal controls, risk management and compliance with legal requirements as well as current matters and policies affecting the industry in general;
 - iv. Devote full attention and time to their duties and responsibilities and be able to direct and supervise the Company effectively and responsibly; and

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- v. At all times exercise professional skill, due care and diligence when performing his functions, exercising their powers or discharging his duties.
- b. The key role of a Managing Director, amongst others, include:
 - i. Developing the strategic direction of the Company;
 - ii. Ensuring that Board decisions are implemented and Board directions are responded to;
 - iii. Providing directions in the implementation of short and long-term business plans;
 - iv. Providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees;
 - v. Keeping the Board fully informed of all important aspects of the Company's operations and ensuring sufficient information is distributed to Board members; and
 - vi. Ensuring the day-to-day business affairs of the Company are effectively managed.

The sound operation of the Company depends critically on its Managing Director. Thus, he must be able to devote his full attention and time to be able to discharge his duties and responsibilities effectively and diligently.

As the Managing Director is directly responsible for the day-to-day operations of the Company, he must be familiar with the operations of the Company, the state of internal controls, requirements of regulations, as well as current issues and policies affecting the industry in general. He must also have the necessary knowledge and professional competence in the conduct of the Company's business.

In the absence of its Managing Director, the executive director who is fully acquainted with the Company's affairs, is the person who will be directly responsible for the overall running of the Company.

3.3 INDEPENDENT DIRECTOR

An independent director should declare to the Company annually that he complies with the criteria as stated below.

- 1) He is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and-
 - a. Is not an executive director of the Company or any related corporation of the Company;
 - b. Has not been within the last 2 years and is not an officer (except as a non-executive director) of the Company;

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- c. Is not a major shareholder of the Company;
 - d. Is not a family member of any executive director, officer or major shareholder of the Company;
 - e. Is not acting as a nominee or representative of any executive director or major shareholder of the Company;
 - f. Has not been engaged as an adviser by the Company under such circumstances as prescribed by the Exchange 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 professional advisory services to the Company under such circumstances as prescribed by the Exchange; or
 - g. Has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the applicant or the listed corporation) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange.
- 2) An independent director should:
- i. Provide and enhance the necessary independence and objectivity to the board;
 - ii. Ensure effective checks and balances on the board;
 - iii. To mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Company;
 - iv. Constructively challenge and contribute to the development of business strategy and direction of the Company; and
 - v. To ensure that adequate systems and controls to safeguard the interests of the Company are in place.

4.0 BOARD APPOINTMENT

4.1 Nomination

The Company should ensure that the directors and the Managing Director are of high calibre, sound judgment, high integrity and credibility as they are entrusted by the shareholders to manage and perform effectively.

All nominations of candidates for the positions of directors and Managing Director must be submitted to the Nomination Committee for consideration. The Nomination Committee shall base on the “Fit and Proper” standards as detailed hereunder before recommending the candidates to the Board for approval:

Age limit

- In accordance with the Malaysian Companies Act, 1965.

Work Experience

- 5 years or more preferably in relevant industry.
- Have been in senior management position.
- Good track record of managing a successful and profitable organisation.

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Qualifications

- Degree, Professional qualification or equivalent or with the requisite years of relevant work experience.

Personal Background

- A person of good character and high integrity and credibility.
- Not a bankrupt and has never been engaged in deceitful/oppressive/improper business practices.
- Has not been engaged/associated or had conducted himself in a manner which may cause doubt on his fitness, competence and soundness of judgment.
- Has not contravened any provision made by or under any written law to be designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice.
- Have not been convicted whether within or outside Malaysia of any offence (other than traffic offence).

Competencies

- Business acumen
- Product knowledge
- Visionary
- Strategic agility
- Proven leadership ability
- Financial knowledge
- Market and global awareness
- Compliance and legal awareness
- IT awareness
- Human Resource Management skills

Directorship

- Prior to 1 June 2013
Shall hold not more than 10 directorships in listed companies and not more than 15 directorships in non-listed companies.
- After 1 June 2013
Shall hold not more than 5 directorships in listed companies.

Directors should notify the Chairman of the Board before accepting any new directorship, including an indication of time that will be spent on the new appointment.

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4.2 Re-election

All directors are subject to retirement by rotation pursuant to the Articles of Association of the Company.

4.3 Retention / Re-designation of an independent director with cumulative term of more than nine (9) years

The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board, upon recommendation of the Nomination Committee, shall justify and seek shareholders' approval in the event that it desires to retain a person who has served in that capacity for more than nine (9) years as an independent director.

Further, the long serving director is required to declare to the Company annually that he complies the criteria as stated in item 3.3 above.

5.0 BOARD RESPONSIBILITIES

The Board should assume, amongst others, the following responsibilities:

- a. Reviewing the code of conduct of the Company and implementing appropriate internal systems to support, promote and ensure its compliance;
- b. Reviewing and adopting a strategic plan for the Company;
- c. Regularly evaluating economic, environmental, social and governance issues and any other relevant external matters that may influence or affect the development of the business or the interests of the shareholders in ensuring that the Company's strategies promote sustainability;
- d. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- e. Reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance. This includes establishing sound risk management framework, reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- f. Selecting, appointing and evaluating from time to time the performance of, and planning succession of the Managing Director under the guidance of the Nominating Committee;
- g. Reviewing the procedures for appointment of senior management and ensuring that succession planning of the senior management is in place;
- h. Establishing an internal audit function which reports directly to the Audit Committee;

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- i. Promoting effective communication and proactive engagements within shareholders and other stakeholders;
- j. Ensuring there is a sound framework of reporting on internal controls and regulatory compliance;
- k. Ensuring its members have access to information, advice and appropriate continuing education programmes;
- l. Reviewing and approving formal and transparent remuneration policies and procedures to attract and retain directors;
- m. Ensuring there is appropriate corporate disclosure policies procedures;
- n. Encouraging the usage of information technology in communicating with stakeholders;
- o. Taking reasonable steps in encouraging the shareholders' participation and voting by poll at general meetings of the Company;
- p. Promoting effective communication and proactive engagements with shareholders;
- q. Undertaking an assessment of the independent directors annually; and
- r. Undertaking an assessment of the training needs of the Directors to enable them to discharge their duties effectively.

6.0 BOARD / MANAGEMENT AUTHORITIES

The Board shall have the authority to approve transactions or activities which are beyond the individual discretionary powers of senior officers or management committees delegated by the Board as per the Approving Authority limits stipulated in the relevant policy manuals of respective operating units subject to the provision of the Articles of Association of the Company.

7.0 BOARD COMMITTEES

- a. The Board should establish and delegate certain duties to specialised Board Committees to oversee critical or major functional areas and to address matters, which require detailed review or in-depth consideration before tabling its recommendation to the Board.
- b. The Board has established the following Board Committees which operate within their specific terms of reference:
 - i. Nomination Committee

To provide a formal and transparent procedures for the appointment of directors as well as annual assessment of effectiveness of individual directors, Board Committees and Board as a whole and key senior management officers.

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ii. Remuneration Committee

To provide a formal and transparent procedure for developing remuneration policy for directors and key senior management officers, and ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy.

iii. Audit Committee

To provide independent oversight of the Group's financial reporting, risk management and internal control system and ensure checks and balances within the Group, and to ensure financial statements comply with applicable financial reporting standards.

To review and assess the suitability and independence of external auditors.

Duties and functions of the above-mentioned committees are provided in their respective terms of reference.

8.0 BOARD PROCEDURES

- a. The conduct of directors will be consistent with their duties and responsibilities to the Company and, indirectly, to the shareholders. The Board will always act within any limitations imposed by the provisions of relevant laws and guidelines on its activities;
- b. Directors will use their best endeavours to attend Board meetings. Directors are expected to participate fully, and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board;
- c. Directors who are not able to attend a meeting will advise the Chairman at an earlier date as possible and confirm in writing to the Secretary;
- d. Board discussions will be open and constructive, recognising that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus of the Board but may, where considered necessary, call for a vote;
- e. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal and regulatory requirements the Board will decide the manner and timing of the publication of its decisions;
- f. Directors are expected to strictly observe confidentiality of the Company's information; and

Directors are required to inform the Board of conflicts or potential conflict of interest that may have in relation to particular items of business or transaction. Subject to provisions of the relevant laws and guidelines, these Directors shall abstain from deliberation and determination of those matters.

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9.0 AUTHORITY

The Board shall within its terms of reference:

- a. Have complete, adequate and timely information prior to Board meetings and on an ongoing basis;
- b. Have the resources required to perform its duties;
- c. Have full and unrestricted access to any information pertaining to the Company;
- d. Have the authority to form management / sub-committee(s) if deemed necessary and fit;
- e. Have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit;
- f. Have direct communication channels with employees, senior management personnel and relevant external parties; and
- g. Be able to obtain independent professional or other advice.

10.0 MEETINGS & MINUTES

Subject to the relevant laws and guidelines, the following should be observed by the Board:

- a. The Board shall meet on a quarterly basis, but in any event, no less than once in every three (3) months, or whenever deemed necessary;
- b. Individual directors must attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the Listing Requirements;
- c. The quorum of the meetings shall be met pursuant to the Articles of Association of the Company;
- d. The Board and Board Committees are also allowed to carry out the resolution by way of circulation;
- e. The participation of the director can be facilitated by means of video or telephone conferencing;
- f. Head of the respective division units and relevant management personnel may be invited to attend the Board meetings;
- g. The Company Secretary shall be appointed as Secretary of the Board Meeting and minutes of meetings shall be taken and documented; and
- h. Information should be supplied to the directors at least seven (7) days prior to the meeting in order for them to discharge their duties.

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11.0 REMUNERATION OF DIRECTORS

- a. The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.
- b. The level of remuneration for the executive directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar industry.
- c. Non-executive directors are entitled to participate in the Company's Share Issuance Scheme (SIS) subject to approval at a general meeting. Non-executive directors who participated in the SIS are prohibited to sell, transfer or assign the shares within one (1) year from the date of offer of such options.
- d. No director other than executive directors shall have a service contract with the Company.
- e. A formal independent review of the directors' remuneration is undertaken no less frequently than once every three (3) years.

12.0 BENEFICIAL INFLUENCE ON COMMUNITY

The Board has a continuing responsibility to the community to ensure that the Company's activities are conducive towards promoting the economic well-being of its community and are in line with government's economic objectives.

This Board Charter was adopted by the Board on 25 April 2013.