



## **BOARD CHARTER**

### **INTRODUCTION**

The Board of Directors of Tek Seng Holdings Berhad (“Tek Seng” or “the Company”) recognises the importance of corporate governance towards the success of the Group’s businesses. The Board strives to follow the principles of the Malaysian Code of Corporate Governance and this Board Charter has been endorsed by the Board and is subject to annual review to ensure its relevance and compliance.

### **OBJECTIVES**

The objectives of this Board Charter are to ensure that all the directors of Tek Seng acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conducts and that the principles of good corporate governance are applied in all their dealings in respect and on behalf of the Company.

### **THE BOARD**

#### **Role of the Board**

1. The responsibilities and limitations of the Board are primarily set out in the Company’s Constitution, the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Capital Market and Services Act 2007 and the directors and/or shareholders’ resolutions.
2. The Board decides on matters delegated to the Board Committees and management.
3. The Board oversees the adequacy and effectiveness of the Group’s risk management and systems of internal control.
4. The Board, in discharging its fiduciary and leadership functions assumes amongst others the following roles and responsibilities:
  - i. Reviewing and approving material investment, acquisitions and disposals of property, plant and equipment.
  - ii. Reviewing and approving related party transactions.
  - iii. Reviewing the adequacy of the Group’s internal control policies.
  - iv. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
  - v. Reviewing and approving annual financial statements and quarterly financial results.



## **Role of Chairman**

1. The Chairman ensures Board effectiveness, monitoring the implementation of the Board's policies and decisions, corporate affairs and overall financial performance of the Group;
2. The Chairman ensures the Management provides accurate, timely and clear information to members of the Board.
3. The Chairman determines and develops the Group's strategy and overall business and commercial objectives;
4. The Chairman ensures orderly conducts and proceedings of meetings of the Company.
5. The Chairman is the spokesperson of the Company and he facilitates effective communications between the shareholders and the Directors and ensures shareholders have adequate opportunity to air their views and obtain answers to their queries.
6. The Chairman gives full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future.

## **Role of the Managing Director**

1. The Managing Director leads the management in the operations and has overall responsibility over the operation units and organisational effectiveness;
2. The Managing Director is responsible for the operations of sales and marketing divisions and expansion of the overseas market for the Group;
3. The Managing Director is responsible for maintaining a friendly work environment and develops organisation culture, values and reputation in its markets;
4. The Managing Director assists the Chairman by providing his input in relation to important strategic issues facing the business;
5. The Managing Director reports to the Chairman and regularly updated the Chairman on the business and affairs of the Group.



## **Role of the Other Executive Directors**

1. The Executive Directors assist the Managing Director in the execution of daily operation and short-midterm planning of the Group.
2. The Executive Directors provide guidance and mentoring to the management.
3. The Executive Directors develops and maintain staff morale in a motivational working environment whereby all employees are motivated to achieve their goals and objectives.
4. The Executive Directors ensures the efficient and effective administration of all departments and functions.

## **Role of the Independent Directors (ID)**

1. The Independent Directors provide the relevant checks and balances and ensuring corporate governance are applied in the Board's decision making taking into consideration the interests of the shareholders and other stakeholders.
2. The Independent Directors provide independent views and advice taking into account the interests of the Group, shareholders and other stakeholders in which the Group conducts its business.

## **Role of Board Committees**

The Board has established three (3) Board Committees to assist the Board in discharging its responsibilities namely as follows:

- i. Audit & Risk Management Committee
- ii. Nominating Committee
- iii. Remuneration Committee

The Board Committees are governed by the following Terms of Reference respectively been approved by the Board:



## **TERMS OF REFERENCE OF AUDIT & RISK MANAGEMENT COMMITTEE**

### **1) Appointment / Composition:**

- 1.1 The members of the Committee shall be appointed by the Board.
- 1.2 The Committee shall consist of not less than three (3) members of whom:
  - a) all members of the Committee must be Non-Executive Directors with a majority of them being Independent Directors;
  - b) at least one (1) member of the 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,
      - a) he must have at least three (3) years' working experience; and
        - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
        - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
      - iii) he fulfils such other requirements as prescribed or approved by Bursa Securities.
    - c) all members of the Committee should be financially literate.
- 1.3 No Alternate Director shall be appointed as a member of the Committee.
- 1.4 An Independent Director who is a former key audit partner of the existing Company's External Auditors shall not be a member of the Committee unless his tenure as a director of the Company is above three (3) years (cooling-off period).
- 1.5 The Chairman of the Committee shall be appointed by the members of the Committee among their numbers who is an Independent Director.
- 1.6 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 (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **2) Meetings**

- 2.1 Meetings shall be held not less than four (4) times in a year. In addition, the Chairman of the Committee may call a meeting of the Committee if a request is made by any Committee members, the Company's Executive Chairman or the Managing Director of the Company.



- 2.2 The Committee may also be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary. The Committee should meet with the External Auditors without presence of the Executive Directors and management at least twice a year.
- 2.3 The quorum of a meeting shall be two (2) members with a majority of members present must be Independent Directors. The Company Secretary or any representative of the Secretary shall be the Secretary of the Committee.
- 2.4 The Committee may invite any directors, management, auditors or any consultants and advisers from time to time to attend the meeting depending on the nature of the subject under review.
- 2.5 The Chairman of the Committee should on a continuous basis, meet with the senior management, namely Executive Chairman, the Managing Director, the Internal and External Auditors in order to be kept informed of matters affecting the Company.
- 2.6 The Committee may resolves and approves certain ad-hoc matters via circular resolutions provided that the circular resolutions are drawn up with detailed information and must be signed by all members of the Committee.

### **3) Authority**

- 3.1 The Committee is authorised by the Board to carry out the duties set out under section 3.2.
- 3.2 The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with the procedures to be determined by the Board and at the Company's cost:
- 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 (if any); and
  - e) be able to obtain independent professional or other advice.
- 3.3 The Internal Auditor report directly to the Committee.



#### **4) Functions and Responsibilities:**

The functions and responsibilities of the Committee shall include the following:

- 4.1 To discuss and liaise with the External Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board;
- 4.2 To review the assistance given by employees of the Group to the External Auditors;
- 4.3 To review the effectiveness of internal control systems and the findings of the Internal Auditors, if available;
- 4.4 To review quarterly report and annual financial statements prior to the approval of the Board, focusing particularly on;
  - i) changes in or implementation of major accounting policy changes;
  - ii) significant and unusual events; and
  - iii) compliance with accounting standards and other legal requirements.
- 4.5 To review any related party transactions and conflict of interest situation that may rise within the Company and the Group including any transaction, procedure or course of conduct that raise questions of management integrity;
- 4.6 To assess and make recommendations concerning the appointment, re-appointment or resignation of the External Auditors and their remuneration to the Board;
- 4.7 To review 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;
- 4.8 To assess the performance of the Internal Auditors and to approve any appointment, resignation or termination of the Internal Auditors;
- 4.9 To prepare Audit & Risk Management Committee Report and review the Statement on Risk Management of Internal Control;
- 4.10 To engage in any other topics as requested by the Board or in accordance with the Main Listing Requirement.

The Committee shall report to the Board at every quarterly meeting.



## **TERMS OF REFERENCE OF NOMINATING COMMITTEE**

### **1) Appointment/Composition**

- 1.1 The Nominating Committee shall be appointed by the Board of Directors.
- 1.2 The Nominating Committee shall consist of not less than two (2) members.
- 1.3 All the Nominating Committee members must be non-executive directors, with a majority of them being independent directors.
- 1.4 The chairman of the Nominating Committee must be an independent director and shall be appointed by the Board of Directors. In the absence of the chairman of the Nominating Committee, the remaining members present shall elect one of their numbers to chair the meeting.

### **2) Meetings**

- 2.1 The Nominating Committee shall meet at least once a year and at such times, whenever they deemed necessary.
- 2.2 The quorum of the Nominating Committee meeting shall be two (2) members.
- 2.3 The Company Secretary or the representative of the Company Secretary shall act as the secretary of the Nominating Committee.
- 2.4 Participants may be invited from time to time to attend the Nominating Committee meeting depending on the nature of the subject under review. These participants may include the executive directors, the chief executive officer, the head of Human Resource and external advisers or experts.
- 2.5 The Nominating Committee may resolve and approve certain ad-hoc matters via circular resolutions provided that the circular resolutions are drawn up with detailed information and must be signed by all members of the Nominating Committee.

### **3) Authority**

- 3.1 The Nominating Committee is authorised by the Board of Directors to carry out the duties mentioned below and the other directors and employees shall give all assistance that is necessary to enable the Nominating Committee to discharge its duties.
- 3.2 The Nominating Committee shall, whenever necessary and reasonable for the performance of its duties and at the Company's cost to obtain independent professional or other advice.



#### **4) Duties and Responsibilities**

- 4.1 To annually assess the Board as a whole, the Board Committees and each individual directors;
- 4.2 To annually assess independence of the independent directors;
- 4.3 To annually assess the term of office and performance of the Audit & Risk Management Committee and each of its members;
- 4.4 To annually assess the senior management;
- 4.5 To annually assess the trainings attended by the directors and to assess the directors training needs;
- 4.6 To annually assess the composition and the diversity of the Board;
- 4.7 To recommend new candidate and to assess new candidate recommended by the Board and shareholders of the Company for appointment as a director of the Company. In making its recommendations, the Nominating Committee should consider the candidates' –
- i) Education, skills, knowledge, expertise and experience;
  - ii) Professionalism, inter-personal skills and integrity;
  - iii) In the case of candidate for the position of independent directors, to evaluate the candidate's ability and time commitment in discharging his responsibilities/functions as expected from the role of independent directors.
- 4.8 To review and recommend to the Board, the appointment and continuation in office of any independent directors who have reached the tenure of nine (9) years and above.
- 4.9 To review and recommend to the Board, the re-election of directors who retire by rotation pursuant to the provision of the Company's Constitution, having due regard to their performance, skills and experience required.
- 4.10 To review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.



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

### **1) Appointment / Composition**

- 1.1 The Remuneration Committee shall be appointed by the Board of Directors.
- 1.2 The Remuneration Committee shall consist of not less than three (3) members, comprising wholly independent directors.
- 1.3 The Chairman of the Remuneration Committee must be an independent director and shall be appointed by the Board of Directors. In the absence of the chairman of the Remuneration Committee, the remaining members present shall elect one of their number to chair the meeting.

### **2) Meeting**

- 2.1 The Remuneration Committee must meet at least once a year.
- 2.2 The quorum of the Remuneration Committee meeting shall be two (2) members.
- 2.3 The Company Secretary or the representative of the Company Secretary shall act as the secretary of the Remuneration Committee.
- 2.4 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Executive Directors, Division Heads, representatives from Internal Auditors, External Auditors and any other experts, where relevant.
- 2.5 The Remuneration Committee may resolve and approve certain ad-hoc matters via circular resolutions provided that the circular resolutions are drawn up with detailed information and must be signed by all members of the Remuneration Committee.

### **3) Authority**

- 3.1 The Remuneration Committee is authorised by the Board of Directors to carry out the duties mentioned below and the other directors and employees shall give all assistance that is necessary to enable the Remuneration Committee in discharging its duties.
- 3.2 The Remuneration Committee shall, whenever necessary and reasonable for the performance of its duties and at the Company's cost to obtain independent professional or other advice.

### **4) Functions / Responsibilities**

- 4.1 To establish and recommend to the Board, the remuneration policy of the Group
- 4.2 To review and recommend to the Board, the remuneration package of executive directors



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- 4.3 To review and recommend to the Board, the directors' fees for shareholders' approval at the Annual General Meeting
- 4.4 To review and recommend to the Board, the directors' benefits of non-executive directors for shareholders' approval at the Annual General Meeting
- 4.5 To consider other remunerations or rewards to retain and attract directors.

## Composition and Board Balance

1. The Board comprises four (4) non-independent executive directors and three (3) independent non-executive directors.
2. The composition equips the Board with the necessary skills of business, financial and technical experience to effectively lead and control the Company. The Board may appoint a Senior Independent Director to whom shareholders' concerns can be conveyed if there are reasons that contacts through the normal channels of the Executive Chairman or the Managing Director have failed to resolve them.

## Appointment

1. No candidate shall be considered for appointment as independent director if he is a former key audit partner until at least three (3) years after he/she ceases to be a partner of the firm last served as the Company's external auditors.
2. The directorships held by the candidate at any one time must not exceed five (5) directorships in public listed companies.
3. The candidate must be able to commit sufficient time to effectively discharge his role as a director of the Company.
4. The appointment of a new director is a matter of consideration and decision by the Board as a whole upon recommendation from the Nominating Committee.
5. The Company Secretary has the responsibility in ensuring that the relevant procedures relating to the appointment of a new director is properly executed.
6. The new director must attend the Mandatory Accredited Programme (MAP) as required by Bursa Malaysia Securities Berhad. Subsequently, he is encouraged to attend trainings and determine his own training needs to update or increase his knowledge in relation to developments of laws and regulations and the business environment.
7. All directors are expected to:-
  - i. provide independent opinions to the fact-finding, analysis and decision making process of the Board, based on their experience and knowledge;
  - ii. consider viewpoints from other Board members; make decisions and recommendations for the best interest of the Company collectively;
  - iii. keep abreast of the latest corporate governance guidelines in relation to the Board as a whole; and
  - iv. continuously seek out best practices in terms of the processes utilised by the Board, following which these should be discussed with the rest of the Board for possible adoption.



## Re-election/Re-appointment

1. One-third (1/3) of the Directors are subject to retirement by rotation yearly or at the interval of every three (3) years.
2. Independent directors who have served more than nine (9) years is subject to annual shareholders' approval.
3. ID who have served more than twelve (12) years is subject to annual shareholders' approval though a two tier voting process.

## Supply of Information

1. The directors are provided with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.
2. The management is responsible in providing the Board with the required information in an appropriate and timely manner. If the information provided by the management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
3. All directors have access to the advice and services of the Company Secretaries in carrying out their duties and to ensure all rules, requirements and regulations are complied with.
4. All directors may obtain further information which they may require in discharging their duties such as seeking independent professional advice at the Company's expense, if necessary. Before incurring any professional fees, the Director's concerned must seek the approval of the Board.
5. A comprehensive Board papers will be circulated to all directors at least seven (7) days before the meeting.
6. The Board papers shall amongst others, include the following:
  - i. Financial reports of the Company;
  - ii. Reports by Management;
  - iii. Reports by Internal Auditors;
  - iv. Minutes of the meetings of Board Committees held
  - v. Directors' and Principal Officers' dealings in securities of the Company; and
7. Minutes of Board and Board Committees' meetings are kept by the Company Secretary at the registered office and are available for inspection by any director during office hours.

## TENURE OF DIRECTORS

There is no fixed term of appointment but all directors are subject to retirement by rotation at least once every three (3) years and shall, then be eligible for re-election.

The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Board has to justify and seek shareholders' approval for him to retain as an independent director of the Company. In the event, the independent director has served more than twelve (12) years, the Board shall seek shareholders' approval vide a two tier voting process.



## SUCCESSION PLANNING

The Board is responsible for the succession planning of the Group.

The succession plan policy shall include but not limited to talent identification, talent retention, internal development of key management, external sourcing, training, leadership development and the fixing of competitive compensation of key management.

## DIRECTORS TRAINING

Any director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment.

Continuous training is important to enable the directors to effectively discharge their duties. The Directors assess their own individual training needs.

A new director on his/her first appointment shall go through an induction programme including presentations from the senior management (if deemed necessary) aimed at strengthening their understanding of the Company, the business, the environment and markets in which the Company operates.

## BOARDROOM DIVERSITY

1. The Board has to maintain a harmonious environment of people irregardless of gender, ethnicity, nationality, religion, age or status in its boardroom, workplace including all business dealings in achieving an environment free of harassment and discrimination.
2. The strategic aim of the Company's Boardroom Diversity is to attract, retain and develop a diverse team of competent and skilled directors towards the delivery of the Company's objectives.
3. Selection of candidates will be based on a range of diversity perspectives, including but not limited to professional experiences, business experiences, skills, knowledge, gender, age, ethnicity and educational background. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity and age) will be disclosed in the Company's Annual Report.



## CONFLICT OF INTEREST SITUATION

1. The directors must disclose to the Board any potential conflicts of interest which may exist or be thought to exist as soon as they become aware of the issue;
2. If a conflict or potential conflict situation exists, it is required that the interested director shall be abstained from discussions and deliberations and voting and must not vote on the resolution approving the transactions;
3. The Board has established the Review Procedures for Related Party Transactions to ensure the transactions with interested persons are undertaken on normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favorable than those extended to unrelated third parties;
4. Each Director is required to disclose the interests / directorships / shareholdings in other companies to the Company Secretary and the list shall be updated periodically;
5. The Audit & Risk Management Committee is entrusted to review related party transactions and conflict of interest situations and ensure that the transactions are not prejudicial to the interests of the Company or its non-controlling shareholders.

## SHARE DEALINGS

1. The directors, principal officers of the Group and including persons who have access or are privy to price-sensitive information must strictly observe the provisions of the Listing Requirements as to dealings in the securities of the Company during Closed Period and Outside Closed Period.
2. Closed period means a period commencing from thirty (30) calendar days before the targeted date of announcement to Bursa Securities of the quarterly results, up to the date of announcement of the quarterly results.
3. The directors and principal officer are prohibited to be involved with the dealings in the securities unless the procedures relating to dealing in securities during Closed Period have been complied.
4. The following procedures in regards to dealings in the securities of the Company during Closed Period must be adhered to –
  - i. The director or principal officer (Affected Person) must give notice on his intention to deal in the securities and inform his current shareholdings to the Company;
  - ii. Upon receipt of such notice, the Company must immediately announce to Bursa Securities;
  - iii. The proposed dealing can only be effected one (1) full market day after the announcement;
  - iv. The Affected Person must give notice of his dealings in writing to the Company Secretary within one (1) full market day after the dealing; and
  - v. Upon receipt of such notice, the Company must immediately announce to Bursa Securities.



5. Persons connected to directors and principal officer are also to abstain from dealing if they are in possession of the price sensitive information.
6. Any directors or principal officers if they dealt in the securities of the Company outside Closed Period must inform the Company Secretary within, and in any event not later than three (3) market days after the dealing has occurred.

## FINANCIAL REPORTING

### (a) Transparency and Integrity

1. The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure the financial statements and quarterly announcements are prepared in accordance with the provisions of the Companies Act, 2016 ("the Act") and applicable approved accounting standards;
2. The Board ensures that the financial statements are prepared so as to give a true and fair view of the current financial status of the Company and uphold integrity in financial reporting;
3. The Board is assisted by the Audit & Risk Management Committee in reviewing the appropriateness of accounting policies applied by the Group as well as the changes in these policies.
4. The Audit & Risk Management Committee also assists the Board in overseeing the financial reporting process and the quality of the financial reporting.
5. The Audit & Risk Management Committee reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements for announcement to the public within the stipulated time frame.

### (b) External Auditors

1. The Board is committed to maintain a transparent and professional relationship with the Group's external auditors through the Audit & Risk Management Committee;
2. The Group's external auditors are invited to attend the Audit & Risk Management Committee meetings when deemed necessary. The Audit & Risk Management Committee meets the external auditors to review the scope and adequacy of the audit process, the financial statements, their audit findings, internal controls and accounting policies, as and when the need arises; and
3. Appointment of the Company's External Auditors is subject to the approval of shareholders at Annual General Meetings. The Company's External Auditors have to retire during the AGM every year and be re-appointed by shareholders for the ensuing year at the remuneration to be determined by the Board.



## BOARD MEETINGS

1. The Board should meet in person as least once every quarter to facilitate the discharge of their responsibilities.
2. It is expected that each director makes every effort to attend each Board meeting and each meeting of any Board Committee on which he/she sits.
3. Each director should be familiar with the agenda for each meeting, having carefully reviewed all materials distributed in advance of the meeting, and be prepared to participate actively in the meeting and to discuss all scheduled items of business.
4. Members of the management who are not directors may be invited to attend and speak at meetings on matters relating to their sphere of responsibilities.
5. A Director must attend at least 50% of the Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his/her behalf.
6. The office of a Director shall become vacant if he/she-
  - (a) becomes of unsound mind;
  - (b) becomes bankrupt;
  - (c) is absent from more than 50% of the total Board meetings of the Company held during the financial year;
  - (d) is convicted by a court of law, whether within Malaysia or elsewhere; or

## GENERAL MEETINGS

1. The Company regards the AGM as an important event in the corporate calendar of which all directors and senior management should attend.
2. The Chairman encourages active participation by the shareholders during the AGM.
3. Board members and senior management will be present to respond to any questions raised from the shareholders. The Company's external auditors are also present to address issues relating to the audits and the auditors' reports.

## INVESTORS RELATIONS AND SHAREHOLDER COMMUNICATION

1. The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.
2. The Company's website provides easy access to corporate information pertaining to the Company and its activities and is continuously updated.



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## COMPANY SECRETARY

1. The Board appoints the Company Secretary.
2. The Company Secretary is the central source of guidance to the Board for information and advice on issues relating to compliance with statutory and regulatory requirements.
3. The Company Secretary performs the secretarial functions of the Company including recording the proceedings of the Board, Board Committees and General Meetings.

## REVIEW OF BOARD CHARTER

The Board reviews the Board Charter annually to ensure its relevance.

**Date of last review: 07 May 2021**