

**KUCHAI DEVELOPMENT BERHAD
(7573-V)**

**BOARD CHARTER
(UPDATED 2 DECEMBER 2016)**

A) RESPONSIBILITY & ACCOUNTABILITY

The Board of Directors ("the Board") is accountable and responsible to ensure proper management of the business of Kuchai Development Berhad ("the Company" or "Kuchai") including the adequacy and integrity of its risk management and internal control system.

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

B) PURPOSE

This Board Charter sets out the role, functions, composition, operation and processes of the Board as to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as a Board member.

This Board Charter acts as a source of reference and primary induction literature to provide insights to prospective Board members and Senior Management. It is also to assist the Board in the assessment of its own performance and of individual Directors.

C) THE BOARD

PROFILE OF DIRECTORS

LEE SOO HOON - 74

Independent Non-Executive Chairman

Gender

Male

Nationality

Malaysian

Work Experience/Occupation

- 1) Partner of Ernst & Young, Singapore (1978 - 1997)
- 2) Independent Director of Singapore Public Companies
- 3) Provides management and financial consultancy services

Qualification/Professional body

- 1) F.C.A. Institute of Chartered Accountants in England and Wales
- 2) Member of Singapore Institute of Certified Public Accountants
- 3) Member of Malaysian Institute of Certified Public Accountants

- 4) Member of Malaysian Institute of Accountants
- 5) Member of Singapore Institute of Directors

Date of Appointment

19 October 2001

Details of any Board committee to which Director belongs

- 1) Chairman of Audit Committee
- 2) Member of Remuneration Committee
- 3) Member of Nomination Committee

Directorship in other Public Listed Companies

- 1) Kluang Rubber Company (Malaya) Berhad
- 2) Sungei Bagan Rubber Company (Malaya) Berhad

LEE CHUNG-SHIH - 54

Managing Director

Gender

Male

Nationality

Singaporean

Work Experience/Occupation

- 1) Executive Director, Public Unlisted Real Estate Investment Company
- 2) Director, Public Unlisted Licensed Trust Company

Qualification/Professional body

B. Sc., International Business

Date of Appointment

19 February 1990

Details of any Board committee to which Director belongs

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Directorship in other listed companies

- 1) Kluang Rubber Company (Malaya) Berhad
- 2) Sungei Bagan Rubber Company (Malaya) Berhad

TAY BENG CHAI - 55

Independent Non-Executive Director

Gender

Male

Nationality

Malaysian

Work Experience/Occupation

- 1) Managing Partner of Tay & Partners, Malaysia
- 2) Partner of Bird & Bird ATMD LLP

- 3) Board Member of Malaysian International Chamber of Commerce and Industry

Qualification/Professional body

- 1) Bachelor of Laws (LLB) National University of Singapore in 1985
- 2) Admitted as Advocate & Solicitor, High Court of Singapore in 1986
- 3) Admitted as Advocate & Solicitor, High Court of Singapore in 1989
- 4) Fellow of the Singapore Institute of Arbitrators

Date of Appointment

4 December 2014

Details of any Board committee to which Director belongs

- 1) Member of Audit Committee
- 2) Member of Nomination Committee
- 3) Chairman of Remuneration Committee

Directorship in other Public Listed Companies

- 1) Malaysia Bulk Carriers Berhad
- 2) Kluang Rubber Company (Malaya) Berhad
- 3) Sungei Bagan Rubber Company (Malaya) Berhad

CHEW KHAT KHIAM ALBERT - 59

Independent Non-Executive Director

Gender

Male

Nationality

Australian

Work Experience/Occupation

- 1) Group CFO of Sinwa Limited (2010 – 2013)
- 2) Group CFO of Boardroom Limited (2007 – 2010)
- 3) Finance Director of Gennon (HK) Group (2001 – 2007)
- 4) Partner of Chew & Chiu Chartered Accountants (1989 – 2001)
- 5) Ernst & Young Singapore & Sydney (1981 – 1989)

Qualification/Professional body

- 1) Fellow of the Institute of Chartered Accountants in Australia
- 2) Fellow of the Hong Kong Institute of Certified Public Accountants
- 3) Fellow of the Financial Services Institute of Australasia
- 4) Chartered Accountant The Singapore Institute of Chartered Accountants
- 5) Member of the Australian Institute of Management
- 6) Member of the Singapore Institute of Directors
- 7) Bachelor of Commerce, University of N.S.W. (1980)

Date of Appointment

10 October 2016

Details of any Board committee to which Director belongs

- 1) Member of Audit Committee
- 2) Chairman of Nomination Committee
- 3) Member of Remuneration Committee

Directorship in other Public Listed Companies

- 1) Kluang Rubber Company (Malaya) Berhad
- 2) Sungei Bagan Rubber Company (Malaya) Berhad

CHEONG MUN HONG - 30

Executive Director

Gender

Male

Nationality

Singaporean

Work Experience/Occupation

- 1) Investment Analyst of Estate & Trust Agencies (1927) Limited

Qualification/Professional body

- 1) Bachelor of Engineering (BEng) Nanyang Technological University
- 2) Holder of the right to use the Chartered Financial Analyst® designation

Date of Appointment

1 March 2015

Details of any Board committee to which Director belongs

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Directorship in other Public Listed Companies

- 1) Kluang Rubber Company (Malaya) Berhad
- 2) Sungei Bagan Rubber Company (Malaya) Berhad

Board Composition

Kuchai is led and managed by experienced Directors who have vast expertise in business, finance, management, marketing and law. Their skills and experience are what is needed to lead the Group to achieve its vision.

Currently, the Board comprises five (5) members made up of two (2) Executive Director and three (3) Independent Non-Executive Directors. The Board composition reflects a balance within executive directors and non-executive directors and complies with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Securities which requires at least two (2) or one-third (1/3) of the Board, whichever is the higher, to be Independent Directors.

The Independent Directors provide independent judgement, experience and objectivity. Independent Directors assist in ensuring that the interests of all Shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The role of Chairman is held by an Independent Non-Executive Director.

Board Meetings

The Board shall conduct at least four (4) scheduled meetings annually, with additional meetings to be convened as and when necessary. Besides Board meetings, the Directors also attend investment meetings, where Directors deliberate on the Group's participation in investments. Threshold of these investments will be reviewed as and when the Board deems necessary.

Appointments and Re-election

Appointment of a new Director is a matter for consideration and decision by the full Board, upon the recommendation from the Nomination Committee. In making these recommendations, the Nomination Committee will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director in consideration can contribute to the Board.

The Articles of Association of the Company provides that every newly appointed Director to hold office only until the next Annual General Meeting at which they will retire and be subjected to re-election at the immediate Annual General Meeting.

Further, one third (1/3) of the Board shall retire from office and be eligible for re-election at every Annual General Meeting, and all the Directors shall submit themselves for re-election at least every three (3) years.

Pursuant to the Companies Act, 1965, Directors above seventy (70) years of age shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

Independence of a Director

The Board assesses the independence of Independent Directors annually by taking into consideration their background, disclosed interests, family relationship and other the criteria set by the Nomination Committee for assessing the independence of Directors.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years and if continued on the Board as Independent Director, the Board shall seek shareholder's approval or the said director will be re-designated as a Non-Independent Director.

New Directorship

Any Director accepting new directorship in other companies will be required to make known to the Board prior to his/her new appointment and give commitment to the Board that his/her time for attending Board meetings will not be compromise in any manner.

The Chairman is also required to notify the Board if he has any new directorship or significant commitments outside the Company.

Continuing Education Programs

All Directors must complete the Mandatory Accreditation Programs and Continuing Education Programs prescribed by Bursa Securities.

All Directors are encouraged to undergo relevant trainings and seminars at the Company's expense to further enhance their knowledge and to keep themselves abreast with developments in the market place, i.e. relevant new regulations, legislation and changing commercial risks whilst discharging their duties.

Board Duties and Responsibility

The Board's responsibility as a whole is to ensure the adequacy and integrity of the Group's risk management and its internal control system and being collectively responsible for the success of the Group.

The Board of Directors has been entrusted with the responsibility of: -

- 1) Establishing a sound framework to manage risk;
- 2) Approve the Internal Audit Functions that reports to the Audit Committee,
- 3) Approving a sustainable business strategy;
- 4) Approving dividends to be declared;
- 5) Approving financial statements and accounting policies of the Group;
- 6) Approving acquisition, disposal or closure of any business;
- 7) Approving capital investment or disposal of tangible assets;
- 8) Approving borrowings or grants;
- 9) Approving giving of Guarantee or Comfort Letters;
- 10) Approving credit facilities;
- 11) Approving corporate restructuring.
- 12) Approving annual budgets, including major capital commitments;
- 13) Approving new / expansion of business ventures; and
- 14) Approving and limiting management's authorities including key policies

The Board is also responsible to ensure that the financial statements is prepared in accordance with the Companies Act and applicable approved accounting reporting standards, so as to give a true and fair view of the state of affairs of the Group.

Chairman

The Chairman's responsibilities are to provide leadership to the Board, facilitate the meeting process, setting the agenda for all Board of Directors meetings and ensure that the Board and its Committees function effectively.

The responsibilities of the Chairman, amongst others, are as follows:-

- 1) To lead the Board and ensure its effectiveness of all aspects of its role;
- 2) To ensure the efficient organization and conduct of the Board's function and meetings;
- 3) To facilitate the effective contribution of all Directors at Board meetings;
- 4) To promote constructive and respectful relations between Directors, and between the Board and Management; and
- 5) To ensure effective communication with Shareholders and relevant stakeholders.

BOARD COMMITTEES

The Board delegates certain functions to the following Committees to assist in the execution of its responsibilities:-

- 1) Audit Committee;
- 2) Nomination Committee;
- 3) Remuneration Committee.

AUDIT COMMITTEE

Audit Committee was established in 1995, and currently has three (3) members, purely Independent Non-Executive Directors. Currently, the Chairman of the Audit Committee is Mr Lee Soo Hoon and the Committee members are Mr Tay Beng Chai and Mr Chew Khat Khiam Albert.

The general objective of the Committee is to ensure adequacy and effectiveness of the Company's system of internal controls and the quality of performance in carrying out their assigned responsibilities.

The Audit Committee assists the Board in addressing and monitoring the principal risks affecting or that may affect the Group's operations and measures that could be taken to mitigate such risks.

Meetings

The Committee shall meet not less than four (4) times a year and report to the Board of Directors. The Committee meetings shall be planned to coincide with the audit cycle and the timing of publication of financial statements. In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee. The quorum for meetings of the Committee shall be two (2) and the majority of members present must be independent directors.

A representative of the external auditors and the Senior Finance Manager shall normally attend meetings. However, the Committee may invite any person to be in attendance to

assist in its deliberations. Any other Directors and employees shall attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

The auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

Upon the request of the auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the auditors believe should be brought to the attention of the Directors or shareholders.

Membership Requirement

The Committee Members are appointed by the Board from amongst its Directors excluding alternate directors to fulfill the following requirements:-

- 1) The Audit Committee must be composed of no fewer than three (3) members of whom a majority of the Audit Committee must be independent directors;
- 2) All members of the Audit Committee should be non-executive directors and financially literate; and
- 3) At least one (1) member of the Audit Committee:
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years' working experience and:
 - i. he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - (c) fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

The members of the Committee shall elect a chairman from among their number 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 (3), 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.

Function of Audit Committee

The function of the Audit Committee shall be:-

- 1) To review the following and report the same to the Board of Directors -
 - (i) with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the regulatory authorities;
 - (ii) with the external auditors, their evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control

- system and the efficiency of the Group's operations and efforts and processes taken to reduce the Group's operational risks;
- (iii) with the external auditors, their audit report;
 - (iv) the assistance given by the Group's officers to the external auditors;
 - (v) the adequacy of the scope, function and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of the internal auditors;
 - (vi) the internal audit programme, processes, the results of the internal audit programme, process, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) the quarterly results and the year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or the implementation of major accounting policy changes;
 - significant and unusual events;
 - the accuracy and adequacy of the disclosure information essential to a fair and full presentation of the financial affairs of the Group;
 - compliance with accounting standards and other legal requirements;
 - (viii) any related party and inter-company transactions and conflict of interest situation that may arise within the Group and the Company including any transactions, procedure or course of conduct that raises questions of management integrity;
 - (ix) the propriety of accounting policies, principles and practices adopted by the management and accepted by the external auditors, where alternatives are also acceptable;
 - (x) any letter of resignation from the external auditors of the Company;
 - (xi) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
 - (xii) any significant audit findings, reservation, difficulties encountered or material weaknesses reported by the external and internal auditors.
- 2) To recommend the nomination of a person or persons as external auditors and the external audit fee.
 - 3) To promptly report to Bursa Malaysia on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach in the Bursa Malaysia's Listing Requirements.
 - 4) To submit to the Board on a periodic basis a report on the summary of activities of the Committee in the discharge of its function and duties in respect of each financial quarter and the financial year.
 - 5) To carry out other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Company's duties and responsibilities.
 - 6) To verify the criteria for allocation of options pursuant to a share scheme for employee.

NOMINATION COMMITTEE

The Nomination Committee was set up on 18 February 2002, and currently has three (3) members, purely Independent Non-Executive Directors. Currently, the Chairman of the Nomination Committee is Mr Chew Khat Khiam Albert and the Committee members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

The primary objective of the Nomination Committee is to ensure that the Directors of the Board bring characteristics to the Board which should provide a required mix of responsibilities, skills, experience, independence and diversity (including gender, ethnicity and age). The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, and contribution of each individual Director and Board of Committee member.

The Nomination Committee discusses nomination matters in depth before the entire Board makes the final decision on new appointments.

Meetings

The meetings of the Nomination Committee shall be held not less than one (1) time a year. A member may at any time and the Secretary shall on the requisition of a Director, summon a meeting of the Nomination Committee.

In the case where the members are more than two (2), any question arising at any meeting of the Nomination Committee shall be decided by a majority of votes and a determination of the Nomination Committee. *Where necessary and appropriate, any decision of the Nomination Committee can also be made or passed by way of a written circular resolution.*

The quorum for each meeting shall be a majority of members present.

Provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

Membership Requirement

The Nomination Committee shall consist of at least two (2) members and shall exclusively comprise of Non-Executive Directors with a majority of Independent Directors.

Members of the Nomination Committee shall be appointed by the Directors among their number at a Board Meeting or via a Directors' Circular Resolution in writing.

The members of the Committee shall elect a chairman from among their number who shall be a Non-Executive Director.

Where a vacancy exists or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination Committee will select one or more candidates with the appropriate expertise and experience.

Function of the Nomination Committee

The function of the Nomination Committee shall be:-

- 1) Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness
- 2) Review annually its required mix of skills and experience, *independence and diversity (including gender, ethnicity and age)* and other qualities, including core competencies which Non-Executive Directors should bring and disclose the same in the Annual Report

- 3) Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- 4) Recommend to the Board, candidates for all Directorship proposed by the Chief Executive Officers and within the bounds of practicability, by any other senior executive or any Director or shareholder to be filled by the shareholders of the Board and Directors to fill the seats of the Audit, Nomination, Remuneration and other Committees.
- 5) Assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director based on the process implemented by the Board.
- 6) Assess and recommend to the Board, the re-election by rotation or re-appointment of Directors in accordance with the Company's Articles of Association or other prevailing law.
- 7) Review the Board's succession plan.
- 8) Assess and recommend to the Board, the continuation of terms of office of Independent Directors in compliance with MCG 2012.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 18 February 2002, and currently has three (3) members, purely Independent Non-Executive Directors. Currently, the Chairman of the Remuneration Committee is Mr Tay Beng Chai and the Committee members are Mr Lee Soo Hoon Mr Chew Khat Khiam Albert.

The Remuneration Committee is primarily responsible to review and structure the remuneration policy of the Group, and its Directors, with a view to ensure that the compensation and other benefits encourage performance that enhances the Group's long-term value.

Meetings

The meetings of the Remuneration Committee shall met at least once (1) a year. A member may at any time and the Secretary shall on the requisition of a member, summon a meeting of the Remuneration Committee.

Any question arising at any meeting shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Remuneration Committee.

Provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

Executive Directors shall abstain from the deliberations and voting on decisions in respect of their remuneration package. The remuneration and entitlement of the Non-Executive Directors, including the Non-Executive Chairman, shall be a matter to be decided by the Board of Directors as a whole with the Director concerned abstaining from the deliberations and voting on decisions in respect of his individual remuneration.

Membership Requirement

The Remuneration Committee shall consist of at least three (3) members, the majority of which shall comprise Non-Executive Directors.

Members of the Remuneration Committee shall elect a Chairman from among their number who shall be a Non-Executive Director.

Responsibilities of the Remuneration Committee

The responsibilities of the Remuneration Committee are as follows:-

- 1) Review and recommend to the Board the remuneration of the Executive and Non-Executive Directors, and key senior management
- 2) Assist the Board in assessing the responsibility and commitment undertaken by the Board membership
- 3) Assist the Board in ensuring the remuneration of the Directors reflects the responsibility and commitment of the Director concerned.

DIRECTORS' REMUNERATION

The level of remuneration reflects the contribution and level of responsibilities undertaken by the Non-Executive Director.

The Remuneration Committee reviews and assesses the appropriate remuneration of each Director based on the criteria set and forward to the Board who ultimately decides on the remuneration of each Director. Directors' fees are endorsed by the Board for approval by Shareholders in Annual General Meeting.

Individual Directors are not permitted to participate in discussion and decision of their own remuneration.

D) COMPANY SECRETARY

The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board has appointed a Company Secretary who is considered capable of carrying out the duties to which the post entails, and the removal of the Company Secretary shall be a matter for the Board as a whole.

The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board.

The seven (7) specific responsibilities of the Company Secretary are as follows:-

- 1) Advise the Board and Management on governance issues;

- 2) Ensure compliance of listing and related statutory obligations;
- 3) Attend Board, Committees and general meetings, and ensure the proper recording of minutes;
- 4) Ensure proper upkeep of statutory registers and records;
- 5) Assist Chairman in the preparation for and conduct of meetings;
- 6) Assist Chairman in determining the annual Board plan and the administration of other strategic issues; and
- 7) Assist in the induction of new directors, and continuously update the Board on changes to listing rules, other related legislations and regulations.

E) INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board strictly adheres to the disclosure requirements of Bursa Securities and recognizes the importance of timely and equal dissemination of information to Shareholders including potential investors, analysts and the public. The method of communication to Shareholders and investors, amongst others, are as follows:-

1. Timely announcements and disclosures made to the Bursa Malaysia Securities Berhad, which includes quarterly financial results, changes in the composition of the Group and any other material information that may affect investors' decision making;
2. The AGM is the principal forum for dialogue with Shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least twenty-one (21) days prior date of Annual General Meeting. Board members are available to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the Shareholders. 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.
3. Our website: *www.kuchaidevelopment.com* is available for access of information by Shareholders and the public. Information posted on the website is updated periodically and
4. For any feedbacks or enquiries, Shareholders can directed them to the Company or to the Chairman through our Company Secretary.

F) ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Access to Information

The Directors, collectively or individually, are free to seek independent professional advice and information in the furtherance of their fiduciary duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions for the Company as well as the Shareholders.

Independent Advice

Any Director when in need of such professional advice or service shall make known to the Board of his or their intention and purpose, thereafter with the assistance from the Company Secretary, Director or Directors can proceed to obtain or seek such independent professional advice or service needed at the Company's expense.

G) CODE OF CONDUCT & BUSINESS ETHICS

The Code of Conduct & Business Ethics is to be observed by all Directors and employees of the Group. Management shall review and update the Code regularly to ensure that it continues to remain relevant and appropriate.

The Code of Conduct & Business Ethics is made available for reference on the Company's website at *www.kuchaidevelopment.com.com*.

H) REVIEW OF THE BOARD CHARTER

The Board Charter has been adopted by the Board on 10 October 2013 and any subsequent amendment to the Charter will be approved by the Board. The Board Charter will be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties or responsibilities.

This Board Charter was approved by the Board and updated on 2 December 2016. This Board Charter is made available for reference on the Company's website.