

# MIDAS HOLDINGS LIMITED

## TERMS OF REFERENCE OF THE BOARD

(Adopted pursuant to the Board resolution passed on 28 March 2012)

### 1. Establishment

- 1.1 The board of directors (“the Board”) is established by Midas Holdings Limited (the “Company” or “Midas”).
- 1.2 The Board shall be responsible for the overall direction, supervision and control of the Company and its subsidiaries (the “Group”). Subject to the regulations contained in the Singapore Companies Act (“The Act”), the SGX Listing Manual, the Articles of Association of the Company (the “Articles”) and applicable rules and regulations of exchanges (other than SGX) on which the Company is listed, the organization, and roles and responsibilities of the Board shall be regulated by the provisions of this Terms of Reference.
- 1.3 In the event of conflicts between the Articles and the Terms of Reference, the Articles shall take precedence.

### 2. Overall Purpose and Objectives

The Board has to provide overall leadership in determining the Group’s long-term strategic direction, to approve the Group’s overall strategic plan, operating goals, operating budget, key performance indicators and business plans as well as to ensure that the necessary financial and human resources are in place for the Group to meet its objectives.

### 3. Organization

#### 3.1 Membership

- 3.1.1 Members of the Board shall be nominated by the Nominating Committee (“NC”) and approved by the Board.
- 3.1.2 The NC will recommend to the Board the appropriate size for the Board and independent directors should make up at least one-third of the Board.
- 3.1.3 The Board should comprise directors who as a group provide core competencies such as accounting or finance, legal, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.
- 3.1.4 Appointment directors should be accompanied with a formal letter of appointment, setting out clearly the director’s duties and responsibilities, including time commitment, committee membership and involvement outside board meetings.
- 3.1.5 Every director should receive appropriate training (including his or her duties as a director and how to discharge those duties) when he is first appointed to the Board, if necessary. This should include an orientation-training program, which in any event, covers financial and legal affairs, financial reporting by the Group any specific aspects that are unique to the Group and its business activities and the responsibilities of a Board member, to ensure that incoming directors are familiar with the Group’s business and governance practices. Directors should also note and update themselves regularly on

relevant new laws, regulations and changing commercial risks, from time to time. Directors should provide a record of the training they received to the Company.

The orientation program should achieve the following objectives:

- Build an understanding of the nature of the Group, its business and the market in which it operates, such as:
  - Group's products and services;
  - Group structure / subsidiaries / joint ventures;
  - Company's constitution, Board procedures and matters reserved for the Board;
  - Summarized details of the Group's principle assets, liabilities, significant contracts and major competitors;
  - Major risks and risk management strategies;
  - Key performance indicators; and
  - Regulatory constraints.
- Establish links with the Group's employees, including:
  - Meetings with senior management;
  - Site visits other than the headquarters to learn about the headquarters, to develop an understanding of the production and services, as well as to meet employees; and
  - Participation in Board strategy development.
- Establish an understanding of the Group's main relationships, such as the Group's major customers, suppliers and shareholders, including meeting with the auditors.

3.1.6 All directors will be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

3.1.7 No person above the age of 70 years may be appointed or re-appointed as a director unless by a resolution, of which notice has been duly given, passed by a majority of not less than three-fourths of the shareholders (including proxies) present at a meeting of the Company.

## **3.2 Chairman and Chief Executive Officer ("CEO")**

3.2.1 The Chairman of the Board is responsible for the running of the Board, and shall be nominated by the NC and elected by the Board.

3.2.2 In principle, the Board has recognized that the role of the Chairman and the CEO should be separate and will endeavor to maintain this balance, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

3.2.3 The Board shall establish in writing and agree on a clear division of responsibilities between the Chairman and CEO.

3.2.3.1 The main responsibilities of the Chairman are:

- Run the Board and set its agenda. The agenda should take full account of the issues and concerns of all Board members. Agendas should be forward looking and concentrate on strategic matters;

- Ensure that the members of the Board receive accurate, timely and clear information, in particular about the Group's performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Group;
- Ensure effective communication with shareholders and ensure that the members of the Board develop an understanding of the views of investors;
- Manage the Board to ensure that sufficient time is allowed for discussion of complex or contentious issues, where appropriate arranging for informal meetings beforehand to enable thorough preparation for Board discussion. It is important that non-executive directors have sufficient time to consider critical issues and are not faced with unrealistic deadlines for decision making;
- Take the lead in providing a properly induction programme for new directors that is comprehensive, formal and tailored, facilitated by the Company Secretary;
- Take the lead in identifying and meeting the development needs of individual directors, with the Company Secretary having a key role in facilitating provision. It is the responsibility of the Chairman to address the development needs of the Board as a whole with a view to enhancing the overall effectiveness as a team;
- Ensure the performance of individuals and of the Board as a whole and its committees is evaluated once a year;
- Encourage active engagement by all members of the Board;
- Promotes the highest standards of integrity; and
- Promotes the highest standards of corporate governance and seeks compliance with the provisions of the Singapore Code of Corporate Governance and other applicable rules and regulations of other exchanges on which the Company is listed.

3.2.3.2 The main responsibilities of the CEO are to provide:

- Leadership;
- Strategic vision;
- High-level business judgment; and
- The ability to meet immediate performance targets without neglecting longer-term growth opportunities.

### **3.3 Conduct of Board Meetings**

- 3.3.1 Meetings shall be held regularly and at least four times a year, and can be in the form of telephonic and videoconference meetings, however personal attendance of the meetings is encouraged. Special meetings may be convened as required.
- 3.3.2 Notice of at least 14 days should be given of a regular board meeting. For all other board meetings, reasonable notice should be given.
- 3.3.3 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board meeting or board committee meeting.

- 3.3.4 Directors are expected to attend all or substantially all Board meetings and meetings of the committees of the Board on which they serve. Board members are also expected to spend the time needed to discharge their responsibilities appropriately.
- 3.3.5 The Board may invite such other persons or officers of the Company (e.g. CFO, Marketing Manager) to its meeting, as it deems necessary.
- 3.3.6 Internal and/or external consultants may be invited to make presentations to the Board as appropriate.
- 3.3.7 Resolutions of the Board require the approval of an absolute majority of the votes cast. In the event of a deadlock, the Chairman shall cast the deciding vote. Resolutions may also be passed by way of written consent provided the text of the resolution is sent to all members of the Board and provided that a majority of the members cast a vote. Each member has the right to request within the period stipulated for the vote, that the matter be discussed in a meeting.
- 3.3.8 A resolution in writing signed by all the directors shall be as effective for all purposes as a resolution passed at a meeting of the directors duly convened and held. Any such resolution may consist of several documents in the like form, each signed by one or more of the directors.
- 3.3.9 The agenda together with appropriate preparatory documents shall be sent to the Board members in advance of the meetings to allow adequate meeting preparation. In principle, proposals asking for a decision of the Board shall not be made without advance documentation. The proceedings of all meetings will be recorded by the Company Secretary, or such person nominated by the Board. The minutes shall be signed by the Chairman and the Secretary and made available prior to the next meeting and approved therein.

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

It is important to note that delegation of responsibility by the Board to a sub-committee does not absolve the full Board from responsibility for a committee's work or decisions. If authority to make decisions on certain Board matters is delegated by the Board to any sub-committee, such delegation should be disclosed. The roles and responsibilities of the Board comprise the following aspects:

##### **4.1 Leadership and Strategy**

- 4.1.1 Provide leadership, vision, overall direction, set strategic aims and supervise the management in the best interest of the stakeholders and ensure that there is a strategic planning process in place and the capability to carry out the work. Ensure the adequacy of financial and human resources to meet the Group's objectives.
- 4.1.2 Set the Group's ethical values and standards, and ensure that obligations to stakeholders and others are understood and met. Take all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfy itself that the CEO and management create a culture of integrity throughout the organization and in its relationship with customers, suppliers and other stakeholders. In setting the Group's values and standards, the Board should ensure that:
- It builds and sustains an ethical corporate culture in the Group;
  - It determines the ethical standards which should be clearly articulated and ensures that the Group takes measures to achieve adherence to them in all aspects of the business;
  - Adherence to ethical standards is measured;
  - Internal and external ethics performance is aligned around the same ethical standards;

- Ethical risks and opportunities are incorporated in the risk management process;
- A code of conduct and ethics-related policies are implemented;
- Compliance with the code of conduct is integrated in the operations of the Group; and
- The Group's ethics performance should be assessed, monitored, reported and disclosed.

4.1.3 Challenge constructively and help develop proposals on strategy.

4.1.4 Ensure that there is a specific short and long term objectives governing all major elements of the Group's operations in place and approve the strategies, business plans and budgets to achieve these objectives.

4.1.5 Regularly assess the Group's competitive position and approves its strategic and financial plans.

4.1.6 Review and approve significant changes in the Group's structure and organization.

## **4.2 Accountability and Audit**

4.2.1 Establish a framework of prudent and effective controls which enables risks to be assessed and managed.

4.2.2 Ensure that the management maintains a sound system of internal controls and risk management framework that is suitable for the Group to safeguard the shareholders' investments and the Group's assets. It shall, in any event, employ as instruments of the internal risk management and control systems such as risk analysis of the operational and financial objectives of the Group and a system of monitoring and reporting. The responsibilities of the Board with respect to the risk management should include the following:

- A policy and plan for a system and process of risk management should be developed.
- The Board should comment in the annual report on the effectiveness of the system and process of risk management.
- The induction and ongoing training programmes of the Board should incorporate risk governance.
- The Board's responsibility for risk governance should be documented in a risk management policy and plan.
- The Board should approve the risk management policy and plan.
- The risk management policy should be widely distributed throughout the Group.
- The Board should ensure that the implementation of the risk management plan is monitored continually.

4.2.3 The Board has the responsibility to understand the key risks of the business and ensure that there are procedures and controls in place which effectively monitor and manage those risks with a view to the long-term viability of the Group.

4.2.4 Assess, at least annually, the effectiveness of the control and risk management systems.

4.2.5 The annual review should consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function.

4.2.6 Comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the Company's Corporate Governance Report.

4.2.7 Establish an internal audit function that is independent of the activities it audits.

- 4.2.8 Delegate the oversight responsibility for risk management, internal controls and the internal audit function to the Audit Committee ('AC'), with written terms of reference which clearly set out its authority and duties.

### **4.3 Performance Monitoring and Evaluation**

- 4.3.1 Review the information provided by management on a regular basis to measure and monitor performance.
- 4.3.2 Review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- 4.3.3 Provide a balanced and understandable assessment of the Group's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).
- 4.3.4 Performance evaluations of the Board, its committees and its individual directors should be undertaken at least once a year. The Chairman should act on the results of the performance evaluation by recognizing the strengths and weaknesses of the Board and, where appropriate, appointing new members to the Board or seeking the resignation of directors. The Board should state in the annual report whether such performance evaluation is taking place and how it is conducted.
- 4.3.5 To appoint, monitor and evaluate the performance of the CEO, taking appropriate action as warranted and to approve or develop the corporate objectives that the CEO is responsible for and assess the CEO against these objectives.

### **4.4 Remuneration – Directors and Key Executives**

- 4.4.1 Review and endorse the recommended framework for remuneration for the Board, Chairman and CEO, by the Remuneration Committee ('RC').
- 4.4.2 Review and approve stock options.
- 4.4.3 Disclose the relevant information in the Company's annual report to comply with the Singapore Code of Corporate Governance and applicable rules and regulation of other exchanges on which the Company is listed.
- 4.4.4 Delegate the oversight responsibility for directors' and key executives' remuneration to the RC.

### **4.5 Corporate Governance**

- 4.5.1. To develop and review Group's policies and practices on corporate governance
- 4.5.2 To review and monitor the training and continuous professional development of directors and senior management.
- 4.5.3 To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements.
- 4.5.4 To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors.
- 4.5.5 To review the Group's compliance with the Singapore Code of Corporate Governance and applicable rules and regulations of other exchanges on which the Company is listed and disclosure in the Corporate Governance Report.

## **4.6 Communication with Shareholders**

- 4.6.1 Establish a communications policy if necessary. Communication policy may include investor relation programme and shareholder communication policy.
- 4.6.2 The Chairman or his designate shall represent the Board in the interaction with media. Other members of the Board shall only discuss matters with the media if cleared by the Chairman or if they are authorized to do so for specific topics.
- 4.6.3 Board members shall not respond independently to complaints or other matters regarding the Group raised in letters addressed to them in their capacity as member of the Board. Such communication shall be forwarded to the Company Secretary for further handling of the matter.
- 4.6.4 Provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. This responsibility extends to interim and other price sensitive public reports, and reports to regulators. Analysts' reports and valuation shall not be assessed, commented upon or corrected, other than factually, by the Company in advance.
- 4.6.5 Ensure that the Company regularly conveys pertinent information, gathers views or inputs, and addresses shareholders' concerns. In disclosing information, the Company should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.
- 4.6.6 Ensure that the Company discloses information to all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price on a timely basis. The contacts between the Board, press and analyst should be carefully handled and structured, and the Company shall not engage in any acts that compromise the independence of analysts in relation to the Company and vice versa. Where there is inadvertent disclosure made to a selected group, the Company should make the same disclosure publicly to all others as soon as possible. This could be through the use of the Company's internet web-site.
- 4.6.7 Provide the general meeting of shareholders with all information that it requires for the exercise of its powers and if price sensitive information is provided during a general meeting of shareholders, or the answering of shareholders' questions has resulted in the disclosure of price sensitive information, this information shall be made public without delay.
- 4.6.8 Ensure that shareholders have the opportunity to participate effectively and to vote in general meetings. The Board shall inform the general meeting of shareholders by means of a 'shareholder circular' of all facts and circumstances relevant to the approval, delegation or authorization to be granted. The shareholder circular shall, in any event, be posted on the Company's website. Shareholders should be allowed to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.
- 4.6.9 Ensure that there are separate resolutions on each distinct issue at general meetings. Where the resolutions are interdependent and linked so as to form one significant proposal, ensure that explanations for the bundled resolutions, and material implications be made.
- 4.6.10 Ensure that the Chairpersons of the AC, NC and RC are present and available to address questions at general meetings.
- 4.6.11 Ensure that the external auditors are present at general meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.
- 4.6.12 Ensure that the minutes or notes of general meetings shall include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.

## **4.7 Transactions Requiring Board Approval**

- 4.7.1 Companies should adopt internal guidelines setting forth matters that require Board approval, and specify in their corporate governance disclosures the type of material transactions that require Board approval under such guidelines.
- 4.7.2 Major Transactions as defined in SGX Listing Rules, Chapter 10 (which excludes transactions in the ordinary course of businesses) shall require the review by the Board and the recommendation to the shareholders for approval, unless in the event that a waiver from SGX has been obtained. Major transactions are defined as transactions that exceeds 20% of any of the following bases:
- Net asset value of the assets to be disposed of compared with the Group's net asset value. This basis is not applicable to an acquisition of assets: or
  - Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits; or
  - Aggregate value of the consideration given or received, compared with the issuer's market capitalization; or
  - Number of equity securities issued by the issuer as consider for an acquisition, compared with the number of equity securities previously in issue.
- 4.7.3 The Board shall be informed of any transactions requiring disclosure, that exceeds 5% but does not exceed 20% of the bases listed above as defined in SGX Listing Rules.
- 4.7.4 Other transactions requiring Board approval:
- Provision of any significant (amounting to or exceeding SGD 10 million) corporate guarantee or other security for securing loans granted to subsidiaries and associated companies, and between subsidiaries and associated companies;
  - Opening and closing of bank accounts and facilities of the Company;
  - Capital expenditure (CAPEX) budget; and
  - Unbudgeted CAPEX purchases.
- 4.7.5 Approve and seek shareholders' approval for Interested Person Transactions ("IPT") of value equal to, or more than 5% of the latest audited net tangible assets.
- 4.7.6 Delegate the responsibility of reviewing IPT of values greater than 3% of the latest audited net tangible assets, where the amount is greater than S\$100,000, to the AC.

## **4.8 Succession Planning**

- 4.8.1 Ensure succession planning of key executive directors and officers, including appointing, training and mentoring senior management.
- 4.8.2 The Board should satisfy itself that processes and plans are in place for orderly succession for appointments to the Board and to senior management to maintain an appropriate balance of skills on the Board.



#### **4.9 Reporting Responsibilities**

- 4.9.1 Ensure that the number of Board meetings held in the year, the attendance of every Board member at those meetings and meetings of Board committees established by the Board should be disclosed in the Company's annual report.
- 4.9.2 Ensure that the preliminary and interim and annual announcement of financial results is timely and adequate.

#### **4.10 Access to Information and Independent Advice**

- 4.10.1 Have separate and independent access to the Company's senior management. Management has an obligation to supply the Board with complete, adequate information in a timely manner.
- 4.10.2 Have separate and independent access to the Company Secretary.
- 4.10.3 The appointment and the removal of the Company Secretary should be a matter for the Board as a whole.
- 4.10.4 Directors, individually or as a group, in the furtherance of their duties and after consultation with the Chairman of the Board, are authorized to seek independent professional advice at the Company's expense.

#### **4.11 Special Committees to Assist the Board**

- 4.11.1 The Board of appoints the following Committees:
- AC to assist the Board on finance, internal controls, risk management and other related matters. Ensure that the AC members are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.
  - RC to assist the Board on remuneration matters.
  - NC to assist the Board's performance and nomination matters.
  - Special committees to assist the Board, if necessary.

*The Chinese translation thereof is for reference only and the English version shall always prevail in case of discrepancies or inconsistencies.*