

HENG HUAT RESOURCES GROUP BERHAD

Company No.: 201101041555 (969678-D)

DIRECTORS' FIT AND PROPER POLICY

1. Introduction

1.1 Policy statement and objective

- 1.1.1 The Board of Directors (the “Board”) of Heng Huat Resources Group Berhad (“Heng Huat” or the “Company”) is committed to build sustainable value for shareholders by providing strategic leadership to the Company. In understanding the importance of driving objective and meritorious appointments at the leadership level, the Board has set out the Directors’ Fit and Proper Policy of Heng Huat (the “Policy” or “Document”).
- 1.1.2 The objective for the Policy is to set out the Company’s approach to the assessment of the fitness and propriety of individuals who hold, or who are to be appointed or elected to the Board and Senior Management.

1.2 Scope and application

- 1.2.1 Where there is a conflict between the contents of this Policy and the authoritative promulgations, the relevant enumerations contained in the said authoritative promulgations or the Company’s Constitution shall prevail. Where paragraphs in this Policy refer to provisions in legislations or other corporate governance promulgations, they are indicated accordingly in italics.
- 1.2.2 This Policy should be read together with the relevant enumerations encapsulated in the following authoritative promulgations:
- Malaysian Code on Corporate Governance (“MCCG”);
 - Corporate Governance Guide by Bursa Malaysia Securities Berhad (“CG Guide”); and
 - ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“ACE LR”).
- 1.2.3 The internal reference documents which are to be referred to for this Policy include, but are not limited to the following:
- Board Charter;
 - Terms of References (“TORs”) of Board Committees; and
 - Code of Conduct.

2. Roles and Responsibilities

The Board, and the Nomination and Remuneration Committee (“NRC”) are responsible in the application of this Policy and for conducting the fit and proper assessments.

2.1 Board of Directors

- 2.1.1 The Board is primarily responsible to ensure that the fit and proper assessments set out in this Policy are carried out for all Board members and Senior Management. The Board ensures that all Directors and Senior Management are fit and proper and have the necessary character, experience, integrity, competence and time to effectively discharge his or her role [*Paragraphs 2.20A and 15.01A of ACE LR*].

2.2 Nomination and Remuneration Committee

2.2.1 The NRC is responsible for leading the review of the appropriate skills, experience and characteristics required of Board members and Senior Management through a set of procedures, in the context of the needs of the Company. Prior to the appointment of the new Directors and Senior Management, the NRC shall complete an evaluation based on the dimensions listed in Section 3 of this Policy to assess the candidates' ability to discharge their duties effectively (*Paragraph 4 of Nomination and Remuneration Committee Term of Reference*).

3. Fit and proper assessment

This section outlines the baseline criteria for the fit and proper assessment. The Board, together with the NRC shall assess individual Directors and Senior Management with due regard to the considerations listed in this section.

The assessment of fit and proper criteria for Directors and Senior Management during the appointment stage shall be performed via diligence or screening (i.e. using established search databases) as well as declarations from the concerned individuals. Meanwhile, as for re-election of Directors and re-appointment or contract renewal of Senior Management personnel, the assessment shall be performed based on a review of the Board Effectiveness Evaluation results and performance appraisal records respectively.

3.1 Fit and proper criteria

3.1.1 Character and integrity

In assessing the personal qualities such as honesty, integrity, diligence, independence of mind and fairness of Directors and Senior Management, the NRC should consider matters including, but not limited to the following:

A. Probity

- (a) The individual is compliant with legal obligations, regulatory requirements and professional standards;
- (b) The individual has not been a subject of any adverse findings including being obstructive, misleading or untruthful in dealings with auditors, regulatory authorities or a court; and
- (c) The individual is free from any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his judgement when acting in the capacity of a Director or Senior Management which would be disadvantageous to the Company or its interests.

B. Personal Integrity

- (a) The individual has not perpetrated or participated in any business practices which are deceitful, oppressive improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
- (b) The individual's service contract in the capacity of Director or Management, had not been terminated in the past due to concerns on personal integrity; and
- (c) The individual has not contravened any requirements imposed by authorities or bodies, whether in Malaysia or elsewhere or failed to uphold any professional or ethical standards issued, or has abetted another person to breach such requirements, professional or ethical standards.

C. Financial Integrity

- (a) The individual has demonstrated prudent management of personal financial affairs including managing debts satisfactorily;
- (b) The individual has been and will be able to fulfil his financial obligations, whether in Malaysia or elsewhere, as and when they fall due;
- (c) The individual has not filed for bankruptcy or been adjudicated a bankrupt or had assets sequestered in any jurisdiction; and
- (d) The individual, or any business in which he or she has a controlling interest or exercises significant influence, has not been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately.

Note: The fact that an individual may be of limited financial means does not in itself, affect the person's ability to satisfy the financial integrity criteria.

D. Reputation

- (a) The individual is of good repute in the financial and business community;
- (b) The individual has not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings;
- (c) The individual has not contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice;
- (d) The individual is not an active politician* and has not held a position with high political influence in the past two (2) years;
- (e) The individual has not been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management; and

3.1.2 Experience and competence

In order to perform his role in an effective capacity, Board members and Senior Management personnel must demonstrate the experience and competence requirements to understand the Company nature of business, inherent risks and the management process. The Board together with the NRC should consider matters including, but not limited to the following:

A. Qualifications, training and skills

- (a) The individual possesses the appropriate education qualification, experience and expertise that is relevant to effectively fulfil the role and responsibilities of their respective positions;
- (b) The individual has the appropriate level of physical and mental fitness;
- (c) The individual keeps knowledge current based on continuous professional development; and
- (d) The individual possesses general management skills as well as understanding of corporate governance and sustainability issues.

B. Relevant past performance or track record

- (a) The individual had a career of occupying a high-level position in a comparable organisation and was accountable for driving or leading the organisation's governance, business performance or operations; and
- (b) The individual has demonstrated either satisfactory expertise in the nature of the business being conducted or satisfactory past performance.

3.1.3 Time and commitment

- A. Ability to discharge role having regard to other commitments
- (a) The individual is able to devote time as a Board member, having factored other outside obligations including concurrent board positions held by the director across listed issuers and non-listed entities (including not for profit and charitable organisations); and
 - (b) The directorships held by any Board member at any one time shall not exceed five (5) in listed companies *[Paragraph 15.06, ACE LR]*.
- B. Participation and contribution in the Board
- (a) The Director exhibits open mindedness to the views of others and ability to make considered judgment after hearing the views of others;
 - (b) The Director demonstrates willingness to devote time and effort to understand the businesses and exemplifies readiness to participate in events outside the boardroom
 - (c) The Director manifests passion in the vocation of a Director; and
 - (d) The Director exhibits ability to articulate views independently, objectively and constructively.

4. Reporting

The disclosures of the activities of the NRC, which is included in the Company's Annual Report and Corporate Governance Report shall cover the application of the Company's fit and proper policy *[Paragraph 15.08A of ACE LR]*.

5. Review and amendments

The NRC shall periodically review this Policy to be in line with legislative promulgations and better practices. All revisions or amendments to this Policy as recommended by the NRC will be submitted to the Board for consideration and approval.

* An active politician refers to a Member of Parliament, State Assemblyman or holds a position at the Supreme Council, or division level in a political party.