



## **Board of Directors Terms of Reference**

### **1. Functions**

The directors are either appointed by Board of Directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) in accordance with the Company’s Bye-law 83(2) or elected by shareholders of the Company at the annual general meeting to:

- (a) determine the Company and its subsidiaries (collectively the “Group”) corporate objectives, business strategies and operational policies;
- (b) monitor and control the operating and financial performance of the Group;
- (c) set appropriate policies to manage risks in pursuit of the Group’s strategic objectives;
- (d) lead and direct the Group to achieve success in its operations;
- (e) make decisions objectively in the interests of the Group;
- (f) carry out all the general and specific powers expressly conferred by the Company’s Bye-laws (“the Bye-laws”) to the directors.

### **2. Membership**

- (a) Pursuant to the Bye-laws, the Board shall have at least 4 directors and there is no limit on the maximum number of directors;
- (b) Any director appointed by the shareholders at the annual general meeting shall hold office as per his/her letter of appointment with the Company (currently two years) and shall be subject to retirement by rotation and re-election in accordance with the Bye-laws;
- (c) Any director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office until the following annual general meeting and shall then be eligible for re-election at that meeting;



- (d) At least one-third of the directors shall retire from office by rotation and be eligible for re-election at each annual general meeting such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least once every 3 years at the annual general meeting;
- (e) Director shall not be required to hold any qualification share in the Company;
- (f) The Chairman of the Board shall be elected among the directors and hold the office for such period (subject to the Bye-laws) and upon such terms as the Board may determine. The roles of Chairman and the President/Chief Executive should be separate and should not be performed by the same individual;
- (g) There are three categories of directors, namely executive directors, non-executive directors and independent non-executive directors. Their specific duties and responsibilities (other than the general duties and responsibilities listed above) are as follows:

Executive Directors

- shall carry out administrative, managerial and supervisory functions as employees of the Company in addition to their duties as board members;
- shall have the general control and responsibilities for the proper direction and management of the business of the Company;

Non-executive Directors

- shall have no executive or management responsibility in the Company and are not involved in the day-to-day management of the Company;
- shall help to enhance the Company's sense of accountability and to widen its strategic horizon;
- shall bring independent judgment on issues discussed in board meetings;
- shall scrutinize the Group's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;



Independent Non-executive Directors

- shall be free from the influence or control of the management or the substantial shareholders of the Company;
- shall have no direct or indirect financial interest or business relationship with the Company or the substantial shareholders of the Company;
- shall provide the Board with an objective, independent voice and ensuring protection of minority interests;
- shall take the lead where potential conflicts of interest arise;
- shall serve on the audit, remuneration, nomination, compliance, risk and other corporate governance committees, if invited;
- shall make an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules, the same factors should also apply to the director's immediate family members which is defined under Rule 14A.12(1)(a).

**3. Authority**

The Board is conferred with all the powers as stated in the Bye-laws, inter alia, the Board has the authorities to:

- (a) manage and conduct the business of the Group;
- (b) delegate the implementation of strategies and day-to-day operation management to the senior executives and managers;
- (c) access to the senior management for making enquiries on management information including but not limited to reports from each of the Board committees and briefings on significant legal, regulatory or accounting issues affecting the Group;
- (d) access to board papers and related materials which should be in a form and quality sufficient to enable the Board to make decisions on matters placed before it;
- (e) access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed;



- (f) seek independent professional advice in appropriate circumstances (at the expense of the Group) to assist the directors to perform their duties;
- (g) set up appropriate corporate governance committees or advisory panels within the Group and to appoint members for such committees and fix their remuneration;
- (h) exercise the borrowing powers as conferred by the Bye-laws;
- (i) appoint director to fill a casual vacancy until the next following general meeting.

#### **4. Responsibilities**

The main responsibilities of the Board are to:

- (a) formulate the Group's strategic objectives, set the management targets and supervise the management performance;
- (b) make policy decisions and delegate the execution responsibilities to various committees and/or senior management for more detailed considerations;
- (c) ensure the Group's operations are conducted prudently and complied with applicable corporate governance requirements, environmental, social and governance reporting guidelines and also appropriate framework of laws and regulatory guidelines;
- (d) ensure the accounts and other financial statements are prepared using the prevailing applicable accounting principles and standards and have contained sufficient information to enable shareholders to understand the financial position of the Group;
- (e) ensure all directors have full and timely access to all relevant information that enable them to fulfill their responsibilities;
- (f) establish and maintain a high standard in the integrity and effectiveness of risk management and internal control systems within the Group;



- (g) shape and develop the Group's risk culture and risk management policy; monitor and oversee the risk management functions over the business undertaken by the Group and ensure adequate disclosure on the Board's annual review of the risk management and internal control systems in the corporate governance report;
- (h) formulate transparent policies for the nomination, appointment, retirement and remuneration of directors and senior executives;
- (i) select, monitor and replace (when necessary) any key senior executives and oversee the overall succession planning;
- (j) ensure all the directors and senior executives appointed are fit and proper persons;
- (k) devise policies on connected transactions, directors' securities dealing, preferential treatment of internal and/or external entities, conflicts of directors' interests and other activities of a non-arm's length nature;
- (l) ensure any newly appointed director is provided with suitable induction to enable him or her to understand his/her duties and procedures of board meetings;
- (m) participate in continuous professional development, arranged and funded by the Company, to develop and refresh directors' knowledge and skills. Record of the training should be kept and be provided to the Company for disclosure requirement;
- (n) ensure all directors disclose or update to the Company at the time of director's appointment or in a timely manner for any change to the contact information, the number and nature of offices held in other public listed companies, any significant commitments and an indication of the time involved;
- (o) ensure the Company complies with its statutory obligation to disclose inside information to the public pursuant to the provisions set out in the Inside Information Disclosure Policy adopted by the Company and its general disclosure obligations under the Listing Rules;
- (p) ensure the disclosure of the Company's dividend policy in the annual report for facilitating shareholders and investors to make informed investment decisions.



## 5. **Meetings**

- (a) The Board shall meet regularly and board meetings should be held at least four times a year and board members may request a board meeting if they think necessary.
- (b) Notice of at least 14 days should be given of a regular board meeting to give all board members an opportunity to attend. For all other board meetings, reasonable notice should be given.
- (c) At least two board members shall constitute a quorum.
- (d) The board meeting may be conducted by conference telephone or other communications equipment or by a combination of those methods.
- (e) The Company Secretary shall convene board meetings and be the secretary of such meetings.
- (f) Each board member has the right to vote in any board meetings. In case of any equality of votes, the Chairman of the meeting shall have an additional or casting vote.
- (g) A director shall not vote or be counted in the quorum at a board meeting in relation to any resolution relating to any transaction, arrangement or contract or other proposal in which he/she or any of his/her associates or any entity connected with him/her has a material interest.
- (h) The Company Secretary is responsible for providing all the detailed board papers to all directors in a timely manner and at least three days in advance of a regular board meeting.
- (i) Minutes of the Board meetings shall be circulated to all board members.

## 6. **General Meetings**

All directors (including independent non-executive directors and other non-executive directors) should generally attend the general meetings (i.e. annual general meetings and special general meetings) of the Company in order to gain and develop a balanced understanding of the views of shareholders.



7. **Review**

The Board shall review at least annually the adequacy of these Terms of Reference and make appropriate amendments, as and when required. Additional review and amendments could be arranged if there is a request by the Compliance Committee on settling urgent matters.

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