

ZECON BERHAD
(Company No. 134463-X)

BOARD CHARTER

In discharging its duties, the Board of Directors ("Board") of Zecon Berhad ("ZECON") is constantly mindful of the need to safeguard the interests of the Group's shareholders and all the stakeholders.

The Board Charter is applicable to all Directors of ZECON Group.

1. Purpose of Charter

The Board Charter sets out the authority, roles and responsibilities, composition and functions of the Board of ZECON, promoting high standards of Corporate Governance, in accordance with applicable rules and regulations in Malaysia.

2. Board's Authority

The Board derives its authority to act from the Company's Memorandum and Articles of Association, the Companies Act, 1965 and the relevant law and regulations governing companies in Malaysia.

3. Roles and Responsibilities of Board

The Board's roles and responsibilities are amongst others, the following:-

- Overseeing and evaluating the Group's strategic business plans, policies and performance which promotes sustainability of the Company;
- Formulating succession plans for members of the Board and senior management to ensure business continuity;
- Ensuring the integrity and effectiveness of the governance process of the Company as set out in the Malaysian Code of Corporate Governance;
- Monitoring the Company's conduct and performance of the group's businesses to achieving the highest standards of business integrity, ethics and professionalism;
- Ensuring that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
- Building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Memorandum and Articles of Association and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- Ensuring that there is in place an appropriate investor relations and communication policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagement with shareholders;
- Approving changes to the corporate organization structure;
- Acting with utmost good faith towards the company in transaction and to act honestly and responsibly in the exercise of the Directors' powers in discharging their duties;

- Providing input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- Approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing problems and reservations arising from these committees' deliberations and reports;
- With the guidance of the Audit Committee, ensuring that the statutory accounts of the Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- Reviewing and approving remuneration of the Managing Director and the Non-Executive Directors under the guidance of the Remuneration & Nomination Committee ("RNC");
- Monitoring Board composition, processes and performance with the guidance of the RNC;
- Ensuring that the Group adheres to high standards of ethics and corporate behavior in accordance with the Group's code of corporate conduct including transparency in the conduct of business; and
- Ensuring that there is in place an appropriate corporate disclosure policy and procedure, which leverage on information technology for effective dissemination of information, to ensure comprehensive, accurate and timely disclosures.

4. Separation of Chairman and Group Managing Director

The positions of Chairman and Group Managing Director are held by two different individuals. The Chairman is a Senior Independent Non-Executive Director.

There is a clear separation of duties between the Chairman and the Group Managing Director.

The responsibilities of the Chairman amongst others include the following:-

- Presides over Board and General Meetings of the Company;
- Responsible for the orderly conduct and running of the Board;
- Responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in the Code and for the full discharge of the Board's responsibilities;
- Responsible for maintaining regular dialogue with the Group Managing Director over all operational matters and consult with the Board promptly over any matter that gives him cause for major concern;
- Liaise with the Group Managing Director and the Company Secretary on agenda for Board meetings;
- Responsible for initiating the establishment of Board Committees, ensuring proper committee structure and ensuring that the Committees achieve their objectives;
- Ensure proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of Management's proposals;
- Ensure effective relationships are maintained with all major stakeholders in the business;

- Ensure all the members of the Board, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities and the business of the Group; and
- Review and approve the appointment of other directorship (outside the Group) to be held by the members of the Board to ensure the appointment is not in conflict with the business of the Group and does not detrimentally affect the directors' performance as a member of the Board.

The roles of the Group Managing Director are amongst others, include the following:-

- Overseeing the day-to-day operations of the Group;
- Formulating and oversees the implementation of major corporate policies;
- Ensuring that the business and affairs of the Group are carried out in an ethical manner and in full compliance with the laws and regulations;
- Ensuring that in cooperation with the RNC/Board, an effective succession plan in place for the Group Managing Director;
Ensuring that the Group has an effective management team and has an active plan for its development and succession;
- Maintaining effective communication programmes and dialogue with the stakeholders;
- Reporting to the Board periodically on the financial positions of the Group;
- Reporting to the Board on the key performance indicators in relation to the financial results, market conditions and other developments and
- Recommends annual management salary increment and employees share options entitlement to the RNC.

5. Delegation to Committees

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the directors under the Companies Act, 1965.

The Board delegates certain of its governance responsibilities to Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

The Company had established the following Board Committees to assist it in carrying out its responsibilities:-

- Audit Committee
- Remuneration & Nomination Committee
- Risk Management Committee

The functions of the Board Committees are set out in **Appendix A**.

The Board may also delegate specific functions to ad hoc committees as and when required.

The powers delegated to these Committees are set out in the Terms of Reference of each of the Committees as approved by the Board.

Matters which are specifically reserved for the Board or its Committees include the following:

- Appointment of the Chairman;
- Appointment and removal of the Managing Director;
- Appointment of Directors to fill a vacancy or as additional Directors;
- Establishment of Board Committees, their membership and delegated authorities;
- Approval of interim dividend and recommendation of final dividend for shareholders' approval;
- Review of corporate governance principles and policies;
- Approval of annual business plan and company scorecard;
- Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- Calling of meetings of shareholders; and
- Any other specific matters nominated by the Board from time to time.

6. Relationship with Management

- a. Directors may delegate their powers as they consider it appropriate through appropriate manual of delegations or manual of authorities. However, ultimate responsibility for strategy and control rests with the Directors as guided by the Group Managing Director.
- b. The Board will be supplied by Management with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.
- c. All Directors will be provided with advance notice of Board meetings.
- d. Every possible effort will be made to ensure that Board meeting will be made available to all Directors attending.
- e. Any abstention, due to any reason whatsoever including but not limited to conflict of interest, must be indicated to the Chairman at the time the matter is being considered and recorded in the Minutes.
- f. The Management may be invited from time to time to Board meetings, as the Directors deem necessary.
- g. The management function is conducted by, or under the supervision of, the Group Managing Director as directed by the Board and by other officers to whom management function is properly delegated by the Board.

7. Board Structure

7.1 Board composition

The Board should comprise a minimum of one third of Independent Non-Executive Directors and comprise Directors with a broad range of skills, diversity, expertise and experience from range of backgrounds.

The Chairman is appointed from amongst the Directors as approved by the Board.

The Board regularly reviews the independence of each Independent Non-Executive Director in light of information relevant to this assessment as disclosed by each Independent Non-Executive Director to the Board.

A Director is considered to be independent for the purposes of service on the Board and Board Committees if the Director satisfies the standards adopted by the Board from time to time to assist it in its regular 'independence' determinations.

The Board only considers Directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgment. The RNC reviews the independency of every Director.

The Independent Director and Non-Executive Directors are not involved in the day-to-day management of the Company and there are free of any relationship which could materially interfere with the exercise of their independent judgement.

7.2 Election and re-election

The Company complies with the regulations and the laws governing the election and re-election of Directors in addition to the provisions of its Memorandum and Articles of Association.

The Company will ensure that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM"). The retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year shall hold office only until the next AGM and shall be eligible for re-election.

8. Review

This Charter is to be reviewed by the Board as and when required.

This Charter is dated 28 February 2013.

ZECON BERHAD

FUNCTIONS/DUTIES OF BOARD COMMITTEES

(I) AUDIT COMMITTEE ("AC")

The duties and scope of the AC shall be to review the following and report the same to the Board:-

- with the external auditors
 - (i) the scope of their audit plan;
 - (ii) their evaluation of the system of internal control;
 - (iii) the audit reports on the financial statements;
 - (iv) the assistance given by the Company's employees to the external auditor;
 - (v) any letter of resignation from the external auditors; and
 - (vi) nomination of the external auditors and the determination of audit fees.
- the effectiveness of the internal control systems including the internal audit programmes, process, results of internal audit programmes, processes or investigation undertaken and whether or not appropriate actions have been taken on recommendations of internal audit functions.
- the quarterly results and year-end financial statements of the Company and the Group, prior to submission to the Board for approval, focusing particularly on:-
 - (i) changes in or implementation of accounting policy;
 - (ii) significant and unusual event; and
 - (iii) compliance with accounting standards and other legal requirements.
- any related party transactions and conflict or interest situation that may arise within the Company or Group.
- verify the allocation of options to employees under the relevant criteria decided by the Option Committee.
- any other functions as may be agreed by the Committee and the Board or as may be required or empowered by statutory legislation or guidelines issued by the relevant governing authorities.

(II) REMUNERATION & NOMINATION COMMITTEE ("RNC")

The responsibilities of the RNC are as follows:-

- To determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board.

- To review annually and recommend to the Board with regards to the structure size balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which directors should bring to the Board and other qualities to function effectively and efficiently.
- To consider, evaluate and propose to the Board any new board appointments, whether of executive or non-executive position. In making a recommendation to the Board on the candidate for directorship, the Committee shall have regard to:-
 - i) size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and Group; and
 - ii) Non-executive directors should be persons of caliber, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues considered the Board and that independent non-executive directors should make up at least one-third of the membership of the Board.
- To recommend to the Board the following:-
 - i) directors to be members of the Board Committee;
 - ii) whether directors who are retiring by rotation should be put forward for re-election; and
 - iii) termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons.
- To ensure and appropriate framework and plan for Board succession for the Group.
- To establish appropriate plans for succession at Board level.
- To consider other matters as referred to the Committee by the Board.
- To facilitate Board induction and training for newly appointed directors.
- To review training programs for the Board.
- To facilitate achievement of Board gender diversity policies and targets.
- To develop the criteria to assess independency of the directors or relationship develops and evaluate/access its independent directors annually.
- To recommend the policy and framework for the Directors' remuneration as well as the remuneration and terms of service of Executive Director.
- To evaluate performance and reward for Executive Directors. Remuneration package for the Executive Directors is formulated to be competitive and realistic, emphasis being placed on performance.

- Designs, implements and evaluation procedure for Executive Directors.
- To ensure performance targets are established to achieve consistency with the interests of shareholders of the company, with an appropriate balance between long and short terms goals.
- To review the individual remuneration packages of the Executive Directors, and to make the appropriate recommendations to the Board.
- The remuneration of the Non-Executive Directors commensurate with the level of responsibilities undertaken by them and is for the Board as a whole to determine.

(III) RISK MANAGEMENT COMMITTEE ("RMC")

The responsibilities of the RMC are as follows:-

- Develop, implement, review and recommend to the Board for approval a systematic enterprise-wide Group Risk Management Policy Framework which specifies key policies and strategies.
- Identify, analyse, assess and monitor both inherent risks and controllable risks facing the entity/projects.
- Evaluate the adequacy of existing controls or in its absence, put in place the necessary controls that will address or manage these risks.
- Identify and implement controls and action plans to mitigate and reduce all major risk to a more manageable level according the company risk appetite.
- To continuously monitor and review all risks affecting the Group every six (6) months interval.
- To consider urgent and ad hoc critical risks issues and where appropriate to refer them to the Board with the risk action plans for immediate implementation.
- To review the Committee's Term of Reference every two (2) years.
- Receive and review sub-committee risk assessments report and action plans taken and to give recommendations for further action plans, if necessary.

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CODE OF ETHICS

As the Director of the Company, you are to endeavor to comply with the Codes of Ethics for Company Directors as released by the Domestic Trade and Consumer Affairs Ministry on 8th April 1996. The principles on which this code relies are those that concern transparency, integrity, accountability and social responsibilities.

In the performance of your duties, you should at all times observe the following Codes:

i) Corporate Governance

- a) Should have a clear understanding of the aims and objectives, capabilities and capacity of the company;
- b) Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge these functions:
- c) Should ensure at all times that the company is properly managed and effectively controlled;
- d) Should stay abreast of the affairs of the company and be kept informed of the Company's compliances with relevant legislation, contractual and to all regulatory authorities;
- e) Should insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- f) Should limit your directorship of companies to a number in which you can best devote your time and effectiveness; each director is an own judge of your abilities and how best to manage your time effectively in your company in which you hold directorship;
- g) Should have access to the advice and services of the corporate secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
- h) Should all times exercise your powers for the purposes you were conferred, for the benefit and prosperity of the company;
- i) Should dispose immediately all contractual interests whether directly or indirectly with the company;
- j) Should never divert to your own advantage by business opportunity that the company is pursuing, nor may you use confidential information obtained by reason of your office for your own advantage or that of others;
- k) Should at all times act with utmost good faith towards the company in transaction and to act honestly and responsibly in the exercise of your powers in discharging your duties and;
- l) Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the company is at stake.

ii) *Relationship with shareholders, employees, creditors and customers*

- a) Should be conscious of the interest of shareholders, employees, creditors and customers of the company;
- b) Should at all times promote professionalism and raise competency of management and employees; and
- c) Should ensure adequate safety measure and provide proper protection to workers and employees at work place.

iii) *Social responsibilities and the environment*

- a) Should ensure that necessary steps are taken in accordance with the laws to properly wind-up or strike off the company register if the company has not commenced business or has ceased to carry on his business and is not likely to commence business in future or again to carry on business as the case maybe;
- b) Should adopt an objective and positive attitude and give the utmost co-operation for the common good when dealing with governmental authorities or regulatory bodies
- c) Should ensure effective use of natural resources, and to improve quality of life by promoting corporate social responsibilities;
- d) Should be more proactive to the needs of the community and to assist in society-related programs in line with the aspirations of the concept of "Caring Society" in Vision 2020; and
- e) Should ensure that the activities and the operations of the company do not harm the interest and interest and well-being of the society at large and to assist in the fight against inflation.

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