



**E.A. TECHNIQUE (M) BERHAD**

**BOARD CHARTER**

**2019**

**PROPOSED 2019**

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## **1. INTRODUCTION**

The Board of Directors (“Board”), as custodians of the shareholders of E.A. Technique (M) Berhad (“the Company”) and its subsidiary Johor Shipyard & Engineering Sdn Bhd (“the Group”), is entrusted with leading and controlling the Group and overseeing the business of the Group, which includes optimising long-term financial returns and shareholders’ wealth creation.

The Board’s function is to set the Group’s strategic direction, its aims and objectives, and to ensure that they are achieved. It is the ultimate decision making body in the Group and is the source of authority for the management who run its operations. The Board is therefore the vital link between the owners and the managers of the Group.

The Board Charter aims to assist the Board Members to better appreciate their roles and responsibilities, provide guidance including appropriate performance frameworks for measuring the performance of the Board as a whole as well as the contribution of each member of the Board. It is hoped that with appropriate frameworks for measuring performance, the Board will be better placed to meet its responsibilities.

## **2. DUTIES AND RESPONSIBILITIES OF BOARD OF DIRECTORS**

### **2.1 BOARD RESPONSIBILITIES**

The Board, representing the shareholders, is empowered to ensure the proper management of the entity, including optimizing long-term financial returns. The Board is responsible for ensuring that the Group is managed to achieve this result.

In addition to fulfilling its obligations for increased shareholder value, the Board is also responsible to the Group’s customers, employees and suppliers, and to the communities where it operates, all of whom are fundamental to a successful business. All of these responsibilities are founded upon the successful continuation of the business.

The duties, powers and functions of the Board are governed by the Articles of Association of the Company, the Companies Act 2016, regulatory guidelines and requirements that are in force.

Having regard to the responsibilities and obligations, the Board will direct and supervise the management of the business and affairs of the Group including:

- 2.1.1** Reviewing and adopting a strategic plan for the Group. The Board will review and approve the annual budget and strategic plan for the Group for five (5) years.

Additionally, on an ongoing basis as need arises, the Board will assess whether projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

- 2.1.2** Overseeing the conduct of the Company's business to determine whether the business is being properly managed. At Board meetings, all operation matters will be discussed and expert advice will be sought, if necessary.

The performances of the Group represent the major element of Board agenda. Where and when available, data are compared against national trends and performance of similar companies.

The Group uses KPI system as the primary driver and anchor to its performance management system, of which is continually refined and enhanced to reflect the changing business circumstances.

- 2.1.3** Identifying principal risks and ensuring the implementation of appropriate internal control and mitigation measures. The Group will set up a Risk Management Committee for this purpose to assist the Board.

- 2.1.4** Succession planning

The Board responsibility in this aspect is being closely supported by the Human Resource Department.

- 2.1.5** Overseeing the development and implementation of a shareholder communication policy for the Company. Various strategies and approaches are employed by the Group so as to ensure that investors and shareholders are well-informed about the Group affairs and developments.

- 2.1.6** Reviewing the adequacy and the integrity of the management information and internal control system of the Company.

The Board's function with regard to fulfilling the above responsibility is supported and reinforced through the various committees established at both the Board and management level. Aided by an independent Internal Audit team of EAT and supported

by Kulim (Malaysia) Berhad, the active functioning of these committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Company's internal control.

Directors must at all times be aware of their additional role as ambassadors of the Group and as such should be guided accordingly.

## **2.2 DIRECTORS CODE OF ETHICS**

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly,

**2.2.1** Members must represent non-conflicted loyalty to the interests of the Group. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Board member acting as a consumer of the Group's services.

- 2.2.2** Members must avoid conflict of interest with respect to their fiduciary responsibility :-
- i. There must be no self-dealing or any conduct of private business or personal services between any Board member and the Group except as procedurally controlled to assure openness, competitive opportunity, and equal access to inside information.
  - ii. When the Board is to decide upon an issue about which a member has an unavoidable conflict of interest, that member shall absent himself or herself without comment from not only the vote but also from the deliberation.
  - iii. Board members must not use their position to obtain employment for themselves, family members, or close associates. Should a member desire employment, he or she must first resign.
  - iv. Members will annually disclose their involvement with other organisations, with vendors, or any other associations that might cause a conflict.

**2.2.3** Board members may not attempt to exercise individual authority over the Group except as explicitly set forth in the Board Policy. Board members are reminded that:-

- i. Members' interaction with the Managing Director or with staff must recognise the lack of authority vested in individuals except when explicitly Board-authorized.
- ii. Members' interactions with the public, press, or other entities must recognise the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly what was approved by Board decisions.
- iii. Members will give no consequence or voice to individual judgment of the Managing Director or staff performance.

**2.2.4** Members will respect the confidentiality appropriate to issues of a sensitive nature.

## **2.3 POLICIES AND STRATEGIES**

### **2.3.1 Policy**

E.A. Technique embraces the principles of responsible and sustainable development and the Company's goal is to ensure that the interest of all stakeholders is given first priority.

E.A. Technique defines responsible and sustainable development as encompassing social responsibilities, resource stewardship, appropriate environmental control and the capacity to operate efficiently.

### **2.3.2 Strategy**

Responsible & sustainability is central to our business strategy and stakeholders' concerns are key inputs in mapping out our corporate strategy. We believe active stakeholder engagement will highlight potential risks or opportunities for our business.

## **2.4 DUTIES AND RESPONSIBILITIES OF DIRECTORS**

Directors are accountable to their shareholders and should use their best efforts to ensure that the Group is properly managed and constantly improved so as to protect and enhance shareholder value, and to meet the Group's obligations to all parties with which the Group interacts – its stakeholders. In executing their responsibilities, the directors should be guided by the Board Policy and their responsibilities include:

- 2.4.1** Attending all Board meetings but where attendance at meetings is not possible, ensuring that appropriate steps are taken to obtain leave of absence.
- 2.4.2** Acquiring knowledge about the business of the Group, the statutory and regulatory requirements affecting effective discharge of their duties to the Group, and are aware of the physical, political and social environment in which it operates.
- 2.4.3** Studying in advance information packets and documentary materials provided and being prepared to discuss their contents at Board meetings. Assisting the Chairman in providing the Group with effective leadership.
- 2.4.4** Being available to advise Management between Board meetings when necessary.
- 2.4.5** Actively participate and effectively contribute to Board discussions towards meeting the duties and responsibilities of the Board as outlined in the Board Policy, and committee discussions (where applicable).
- 2.4.6** Always being alert to the potential for conflicts of interests that may affect the performance of his or her fiduciary duties to the Group and seek to avoid these potential conflicts wherever possible.
- 2.4.7** Acting honestly, in good faith and in the best interests of the Group as a whole, using due care and diligence in fulfilling his or her responsibilities, and exercising the powers attached to that office.

## **2.5 COMPOSITION OF BOARD**

The composition of the Board of Directors of the Company must comply with the following:-

- At least two (2) or one-third (1/3) of the Board, whichever is the higher, must be independent non-executive directors (if the number of directors is not a multiple of two (2), the number nearest to one-half (1/2));
- At least one (1) director must :-
  - Be a member of the Malaysian Institute of Accountants; or
  - Have at least three years' working experience and must:
    - i. Have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or



- ii. Be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - iii. Fulfils the following qualifications:-
    - a. A degree/master/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
    - b. At least seven (7) years' experience being a Chief Financial Officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- Alternate directors shall not be taken into account for the purpose of calculation of the required number of independent directors.

### 2.5.1 Independent Directors

An independent director is one who satisfies the following general test of independence:-

- \* A person must be independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgment or the ability to act in the best interest of an applicant or a listed company.

An independent director must also not belong to any of the following categories of persons:-

1. An executive director of the Company or any of its related corporation;
2. An officer (except as a non-executive director) of the Company or any of its related corporation. For this purpose, officer shall have the meaning given in the Companies Act 2016, S2; and include any person who was within the last two (2) years an officer (except as a non-executive director) of the Company or any of its related corporation. An independent or non-executive director of a subsidiary of the company may therefore be appointed as an independent director of the Company;
3. A substantial/major shareholder of the Company or any of its related corporation;
4. A relative of any executive director, officer or major shareholder of the Company or any of its related corporation. For this purpose :
  - a. 'relative' means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child; and
  - b. 'officer' means the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer or any other person primarily responsible for the

operations of financial management of the Company or any of its related corporation.

5. A nominee or representative of any Executive Director or major shareholder of the Company or any of its listed corporation;
  - ‘Nominee’ for this purpose means a person who has been designated to act for another in his or her place. It denotes a person who is accustomed, or is under an obligation, whether formal or informal to act in accordance with the directions, instructions or wishes of another person. Thus, an independent director of the Company would not be disqualified from being an independent director if he were to be appointed by the Company to act as a non-executive director of the unlisted subsidiary of the Company.
6. A professional adviser (i.e. an adviser or any person offering professional advisory services) who:
  - a. Has personally provided professional advisory services to the Company or any of its related corporation within two (2) years; or
  - b. Is presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation (hereinafter referred to as ‘Entity’) which has provided professional advisory services to the Company or its related corporation within the last two (2) years;
  - c. The consideration of which in aggregate exceeds 5% of the gross revenue on a consolidated basis (where applicable) of the said professional adviser or the Entity or RM1 million, whichever is the higher;
7. Any person who:
  - a. Had engaged personally in transactions with the Company or any of its related corporation (other than for Board service as a non-executive director) within the last two (2) years; or
  - b. Is presently a partner, director a major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) (hereinafter referred to as ‘Entity’) which has engaged in transactions with the company or any of its related corporation within the last two (2) years;
  - The consideration of which in aggregate exceeds 5% of the gross revenue on a consolidated basis (where applicable) of the said person or the Entity or RM1 million, whichever is the higher (the said ‘threshold’);

### **2.5.2 Restriction on number of directorship**

A director of the Company must not hold more than five (5) directorships in listed companies.

### 2.5.3 Vacation of office of a director

The office of a director shall become vacant if the director:-

- Becomes of unsound mind;
  - Becomes bankrupt; or
  - Is absent for more than 50% of the total Board of directors' meeting held during a financial year.
- a. Where a director is removed from office, the Company must forward to the Bursa a copy of any written representations made by the director in question at the same time as copies of such representations are sent to members of the listed issuer under section 206(3) of the Companies Act 2016, unless copies of such representations need not be sent out by reason of the circumstances specified in section 206(4) of the Companies Act 2016.

### 2.5.4 Directors' training

- a. A director of the company must attend training programmes as may be prescribed by the Bursa from time to time.
- b. The Bursa considers continuous training for directors as important to enable the directors to effectively discharge their duties. In this respect, the Board of directors must on a continuous basis, evaluate and determine the training needs of the directors. The subject matter of training must be one that aids the director in the discharge of his duties as a director.
- c. The Board of directors must disclose in the annual report of the Company, a statement on the training attended by its directors which includes the following information:
- The Board has undertaken an assessment of the training needs of each director;
  - A brief description on the type of training that the directors have attended for the financial year; and
  - In exceptional circumstances where any director has not attended any training during the financial year, valid justifications for the non-attendance of such director.

### 2.5.5 Tenure of Independent Director

The tenure of an independent director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine years, the independent director may continue to serve the Board subject to the directors' re-appointment as a non-

independent director. In the event the director is to remain designated as an independent director, the Board shall first justify and obtain shareholders' approval.

#### **2.5.6 Induction of New Members**

The Chairman should ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business, environment and markets in which the Group operates. The new members will be given a copy of the Board Policy Manual.

The new members will be required to meet key members of management team. Members are expected to keep themselves abreast of changes and trends in the business and with the Group's business environment and markets, and changes and trends in the economic, political, social, legal and regulatory climate that could affect the business of the Group.

#### **2.5.7 Appointment and Re-election of Directors**

The Board should be responsible for selecting its members and in recommending them for election by the shareholders. The Board delegates the screening and evaluation process for potential new directors and directors to be nominated for re-election to the Board Nomination and Remuneration Committee. In addition, the Chairman of the Board is to actively participate in the selection of Board Members. A formal invitation to join the Group as a Board member would be extended by the Chairman after approval from the Board.

In selecting potential new directors and directors to be nominated for re-election, the Board Nomination and Remuneration Committee will consider the skills and industry knowledge that the candidate will be able to bring to the Board. As a guide, the Board Nomination and Remuneration Committee would be required to ensure that the proposed candidates meet the requirements on Knowledge and Skills as set out in the Director Assessment Form. In selecting new directors to replace a member who resigns or for any reason ceases to be a member of the Board, the Board Nomination and Remuneration Committee may consider the candidate nominated by the existing Board members.

In the event that an Executive Director's service contract with the Group terminates for whatever reason, the member is expected to resign from the Board, although the

Board may, if it considers it appropriate, and subject to shareholders' approval where necessary, re-appoint the member as a non-executive member.

The Articles of Association provides for one third of the Board, including the Chairman and Managing Director to retire at each Annual General Meeting and a retiring director shall be eligible for re-election.

#### **2.5.8 Effectiveness of Board**

The roles of the Chairman of the Board and the Managing Director shall be separated. The position descriptions of the Chairman and Managing Director are specifically set out in the section on Board Responsibilities.

The Chairman is responsible for representing the Board to shareholders. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board and maintaining regular dialogue with the Managing Director over all operational matters and will consult with the Board promptly over any matter that gives him or her cause for major concern.

The Chairman will act as facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates the discussion, that appropriate discussion takes place and that relevant opinions among members are forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes.

The Board shall also appoint amongst its members, other than the Chairman and the Managing Director, a Senior Independent Non-Executive Director, to whom concerns from the other directors, public or investors may be conveyed.

## **2.6 RESPONSIBILITIES OF CHAIRMAN**

The responsibilities of the Chairman includes:-

- 2.6.1** Providing leadership to the Board.
- 2.6.2** Chairing meetings of the Board in such a manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each member.
- 2.6.3** Chairing meetings of shareholders.

- 2.6.4** Establishing procedures to govern the Board’s work.
- 2.6.5** Ensuring the Board’s full discharge of its duties.
- 2.6.6** Scheduling meeting of the full Board.
- 2.6.7** Organising and presenting the agenda for regular or special Board meetings based on input from other directors and the Company Secretary.
- 2.6.8** Ensuring proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of management’s proposal and reviewing performance of the Group.
- 2.6.9** Ensuring adequate lead time for effective study and discussion of business under consideration.
- 2.6.10** Identifying guidelines for the conduct of directors, and ensuring that each director is making a significant contribution. The Chairman keeps under review the contributions made by Board members.
- 2.6.11** Acting as liaison between the Board and management. The Chairman should act as the main informal link between the Board and management and particularly between the Board and the Managing Director.
- 2.6.12** Ensuring that all Board members, when taking up office, are fully briefed on the terms of their appointments, duties and responsibilities and the business of the Group.
- 2.6.13** Together with the Managing Director, represents the Group to external groups: shareholders, creditors, consumer groups, local communities, and federal, state, and local governments.
- 2.6.14** In conjunction with Managing Director, ensures that:
  - i. The Board’s strategic direction and planning process is established.
  - ii. High standards of propriety are encouraged and efficient and effective use of staff and other resources throughout the organization is promoted.

iii. High corporate ethical standards and positive relationships with the Group's stakeholders are fostered.

**2.6.15** Working with the Nomination Committee and Remuneration Committee, actively participating in the selection of Board members and ensuring the membership is properly balanced.

**2.6.16** Working with the Nomination Committee and Remuneration Committee, ensuring proper committee structure, including assignments of members and committee chairmen. The Chairman should also ensure that there is a succession plan for the Board through nominations by the shareholders, evaluation by the Nomination Committee and Remuneration Committee and approval by the full Board.

**2.6.17** Carrying out other duties as requested by the Board as a whole, depending on needs and circumstances.

## **2.7 RESPONSIBILITIES OF THE MANAGING DIRECTOR**

The Managing Director is accountable to the Board for the overall organisation, management and staffing of the Group and for its procedures in financial and operational matters, including conduct and discipline. This includes promoting leadership by example. The Managing Director's authority is explicitly provided for in the Limits of Authority. Board members should support the Managing Director in undertaking this responsibility.

The role of the Managing Director can be summarised as follows:

**2.7.1** Foster a corporate culture that promotes ethical practice, encourages individual integrity and fulfill social responsibility.

**2.7.2** Maintains a positive and ethical work climate that is conducive in attracting, retaining and motivating a diverse group of quality employees at all levels.

**2.7.3** Develops and recommends to the Board a long-term strategy and vision for the Group that led to the creation of shareholders' value.

**2.7.4** Develops and recommends to the Board the Groups' operational plans and budget that support the Group's short to long-term strategy.

**2.7.5** Ensure achievement of objectives and goals, as contained in the strategic plan.

- 2.7.6** Foster a corporate culture that promotes adherence to laws and regulations of the country.
- 2.7.7** Manage the overall business and oversee the day to day operation of the Group.
- 2.7.8** Ensure continuous improvement in the quality and value of the products and services provided by the Group.
- 2.7.9** Ensures that the Group achieves and maintain a satisfactorily competitive position within its industry.
- 2.7.10** Recommend management structure and operating authority levels which include delegation of responsibilities to management.
- 2.7.11** Ensure that the Group has an effective management team below the level of the Managing Director and has an active plan for its development and succession. Reports to the Board annually on the succession and management development plan.
- 2.7.12** Ensure, in co-operation with the Board, that there is an effective succession plan in place for the Managing Director position.
- 2.7.13** Formulate and oversee the implementation of major corporate policies.
- 2.7.14** Accountable to the Board for the propriety and regularity of the finances.
- 2.7.15** Responsible for the financial management of the Group and overseeing the handling of financial matters which include keeping proper accounts for prudent and economical administration, avoidance of waste and extravagance for efficient and effective use of all resources.
- 2.7.16** Reports to the Board periodically on the financial positions of the Group which include forecast results as required from time to time.
- 2.7.17** Reports to the Board on key performance indicators in relation to the financial results, market conditions and other developments.



**2.7.18** Recommends annual management salary increment.

**2.7.19** Reports on significant business decisions.

**2.7.20** Serves as the spokesperson for the Group.

**2.7.21** Refers to the Board committees on matters requested from time to time.

## **2.8 BOARD COMMITTEE STRUCTURE AND MEMBERSHIP**

The Board may delegate responsibility for specified matters to individual member or committees of the Board. All such committees must be provided with written terms of reference which state clearly the extent and limits of their responsibilities and authority and whether they act on behalf of the Board or report back to the Board.

The present Board committees are:-

- i. Audit Committee;
- ii. Nomination Committee;
- iii. Remuneration Committee; and
- iv. Tender Board Committee.

The management committees also were set up to assist the Board in implementing and monitoring the system of internal controls within the Group.

### **2.8.1 Audit Committee**

#### Purpose

The primary purposes of the Audit Committee are:

- i. To ensure openness, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- ii. To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- iii. To improve the Group's business efficiency, the quality of accounting and audit function and strengthening of public's confidence in the Group's reported results;
- iv. To maintain a direct line of communication between the Board and the external and internal auditors;
- v. To enhance the independence of the external and internal audit functions; and
- vi. To create a climate of discipline and control to reduce the opportunity for fraud.

Membership

The members of the Audit Committee shall be appointed by the Board of Directors of E.A. Technique (M) Berhad upon the recommendations of both the Nomination Committee and Remuneration Committee and shall consist of not less than three (3) members, majority of whom shall be independent directors. If membership for any reason falls below three (3) members, the Board of Directors shall, within three (3) month of that event, appoint such number of new members as may be required to fulfil the minimum requirement.

No alternate directors shall be appointed to the Board of Audit Committee.

At least one (1) member of the Audit Committee:-

- i. Must be a member of the Malaysian Institute of Accountants (MIA); or
- ii. If a person is not a member of MIA, he/she must have at least three (3) years' working experience and:
  - a. He/She must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - b. 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; or
  - c. Fulfill such other requirement as prescribed or approved by the Exchange.

The Committee Members shall collectively have:

- i. Knowledge of the industries in which the Group operates.
- ii. The ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, cash flow and key performance indicators; and
- iii. The ability to understand key business and financial risk and related controls and control processes.

Authority

The Committee for the performance of its duties shall in accordance to the same procedures adopted by the Board and at the cost of the Group:

- i. Have the authority to investigate any activity within its Terms of Reference;
- ii. Have the resources which are required to perform its duties;
- iii. Have full and unrestricted access to any employee and information pertaining to the Group. All documents of the Group shall be made accessible to the Committee;

- iv. Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity for the Group;
- v. Have the authority to direct the Internal Audit Department (both corporate, subsidiaries, associates, joint ventures, where applicable) in its activities, including approval of appointments of senior executives and budget in these functions; and
- vi. To be able to engage independent professional advisors or other advisors and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

#### Function and Duties

The committee should carry out the following responsibilities:-

- i. Financial Statements
  - a. Review and recommend acceptance or otherwise of major accounting policies, principles and practices.
  - b. Review the Group's quarterly results and annual financial statements of the Company and the Group before submission to the Board. The review should focus primarily on:
    - Any changes in or implementation of major accounting policy changes
    - Major judgmental areas, significant and unusual events
    - Significant adjustments resulting from audit
    - The going concern assumptions
    - Compliance with accounting standards
    - Compliance with stock exchange and legal requirements
  - c. Review with management and the external auditors, the results of the audit, including any difficulties encountered.
  - d. Review, with the Group's Counsel, any legal matter that could have a significant impact on the organisation's financial statements.
- ii. Internal Control
  - a. Assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations, particularly those relating to areas of significant risks. To evaluate the process the Group has in place for assessing and continuously improving internal controls.
  - b. Assess the internal processes for determining and managing key risks other than those that are dealt with by other specific Board committees.
  - c. Review the scope of Internal and External Auditors' review of internal control over the Group.

- d. Review Internal Audit reports (including those of the Group) and the management's response and ensure that appropriate action is taken in respect of these reports and the Committee's resolutions. Where actions are not taken within adequate time frame by management, the Committee will report to the Board for its decision.
  - e. Review External Auditors and the management's response and ensure that appropriate action is taken in respect of these reports and the Committee's resolutions.
- iii. Internal Audit
- a. Approve the Corporate Audit Charter and charters of the Internal Audit functions in the Group and ensure that the Internal Audit functions are adequately resourced and have appropriate standing in the Group. This includes a review of the organisational structure, resource budgets and qualifications of the internal audit functions.
  - b. Review the adequacy of the Internal Audit plans and the scope of audits and that the Internal Audit Department has the necessary authority, competency and resources to carry out its work.
  - c. Approve the appointment of Head of Internal Audit.
  - d. Review appraisals or assessments of members of the Internal Audit functions.
  - e. Inform itself of resignations of Internal Audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
  - f. Direct any special investigations to be carried out by the Internal Audit.
- iv. External Audit
- a. Review External Audit plans and scope of work before the audit commences.
  - b. Discuss problems and reservations arising out of external audits, including assistance given by the employees and any matters the auditors may wish to discuss, in the absence of Management or Executive Directors where necessary.
  - c. Nominate the External Auditors together with such other functions as may be agreed to by the Committee and the Board, and recommend for approval of the Board the external audit fees, and consider any questions of resignation or dismissal, experience, resources and capability.

- v. Compliance
  - a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management’s investigation and follow-up of any instances of non-compliance.
  - b. Review the findings of any examinations by regulatory authorities.
  - c. Obtain regular updates from the management and Group’s legal counsel regarding compliance matters.
  - d. Review any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of the management integrity.
  - e. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach to the Main Market Listing Requirements, the Committee must promptly report such matters to the Bursa Malaysia.
  
- vi. Other Responsibilities
  - a. Review and reassess, with the assistance of the management, the External Auditors and legal counsel, the adequacy of the Terms of Reference of the Committee at least annually.
  - b. Confirm annually that all responsibilities outlined in the Terms of Reference have been carried out.
  - c. Perform other duties as directed by the Board.

### **2.8.2 Nomination Committee**

#### Purpose

The Nomination Committee, a Committee of the Board of Directors (“Board”), is established primarily to:

- i. Identify and recommend to the Board, candidates for board directorships of EATech (Malaysia) Berhad (“the Company”).
- ii. Recommend to the Board, directors to fill the seats on Board Committees.
- iii. Evaluate the effectiveness of the Board and Board Committees (including its size and composition) and contributions of each individual director.
- iv. Ensure an appropriate framework and plan for Board succession for the Company.

### Membership

The Nomination Committee shall have at least three (3) members, all of whom shall be non-executive directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one (1) should be independent directors. The Nomination Committee members and Chairperson shall be appointed by the Board. The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.

In the event of equality of votes, the Chairperson of the Committee shall have a casting vote (except where two (2) directors from the quorum). In the absence of the Chairperson of the Committee, the members present shall elect one (1) of their numbers to chair the meeting.

The Nomination Committee shall have no executive powers.

### Scope of Activities

The duties of the Nomination Committee shall include the following:

- i. 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.
- ii. 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 experiences, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently.
- iii. 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:
  - a. Size, composition, mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Board;
  - b. The Board nomination and election process of the directors and criteria used by the Nomination Committee in the selection process; and
  - c. The assessment undertaken by the Nomination Committee in respect of Board, committees and individual directors together with the criteria used for such assessment.
- iv. To propose to the Board the responsibilities of non-executive directors, including membership and Chairperson of Board Committees.

- v. To evaluate and recommend the appointment of senior executive positions, including that of the Managing Director or Chief Executive and their duties and the continuation (or not) of their service.
- vi. To establish and implement process for assessing the effectiveness of the Board as a whole, the Committee of the Board and for assessing the contribution of each director.
- vii. To evaluate on an annual basis:
  - a. The effectiveness of each director’s ability to contribute to the effectiveness the Board and the relevant Board Committees and to provide the necessary feedback to the directors in respect of their performances;
  - b. The effectiveness of the Committees of the Board; and
  - c. The effectiveness of the Board as a whole.
- viii. To recommend to the Board:
  - a. Whether directors who are retiring by rotation should be put forward for re-election; and
  - b. Termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons.
- ix. To establish appropriate plans for succession at Board level, and if appropriate, at senior management level.
- x. To provide for adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Company.
- xi. To consider other matters as referred to the Committee by the Board.

### **2.8.3 Remuneration Committee**

#### Purpose

The Remuneration Committee, a Committee of the Board, is established primarily to:

- i. Provide assistance to the Board in determining the remuneration of executive directors and, if applicable, senior management and in particular the Chief Executive Officer where the person is not a member of the boards of directors. In fulfilling this responsibility, the Committee is to ensure that executive directors and applicable senior management of the Company:
  - a. Are fairly rewarded for their individual contributions to overall performance;

- b. That the compensation is reasonable in light of the Company’s objectives;  
and
  - c. That the compensation is similar to other companies.
- ii. Establish the Managing Director/Chief Executive Officer’s goals and objectives;
  - iii. Review the Managing Director/Chief Executive Officer’s performance against the goals and objectives set.

#### Membership

The Remuneration Committee shall consist entirely of non-executive directors. It shall have at least three (3) members and the quorum for the Committee shall be two (2) members. Remuneration Committee members and the Chairperson shall be appointed by the Board based on the recommendations of the Nomination Committee. The appointment of a committee member terminates when the member ceases to be a director, or as determined by the Board.

In the event of equality of votes, the Chairperson of the Committee shall have a casting vote (except where two (2) directors from the quorum). In the absence of the Chairperson of the Committee, the members present shall elect one (1) of their number to chair the meeting.

The Committee members shall:

- i. Have a good knowledge of the Company and its executive directors, and a full understanding of shareholders’ concern; and
- ii. Have a good understanding, enhanced as necessary by appropriate training or access to professional advice, on/of areas of remuneration.

#### Scope of Activities

The duties of the Remuneration Committee shall include the following:

- i. To establish and recommend the remuneration structure and policy for executive directors and key executives, if applicable, and to review for changes to the policy, as necessary.
- ii. To ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration setting forming a significant proportion of the total remuneration package of executive directors.



- iii. To review and recommend the entire individual remuneration packages for each of the executive directors and, as appropriate, other senior executives, including: the terms of employment or contract of employment/service; any benefit, pension or incentive scheme entitlement; any other bonuses, fees and expenses; and any compensation payable on the termination of the service contract by the Company.
- iv. To review with the Managing Director/Chief Executive Director, his/her goals and objectives and to assess his/her performance against these objectives as well as contribution to the corporate strategy.
- v. To review the performance standards for key executives to be used in implementing the Group's compensation programs where appropriate.
- vi. To consider and approve compensation commitments/severance payments for executive directors and key executives, where appropriate, in the event of early termination of the employment/service contract.
- vii. To consider other matters as referred to the Committee by the Board.

### **3. BOARD PERFORMANCE EVALUATION**

#### **3.1 Board and Director Evaluation**

The Board Nomination and Remuneration Committee is required to implement an evaluation process to assess the effectiveness of the board as a whole, the committees of the Board and the contribution of each individual director on an annual basis. The process of evaluation aims to improve the Board's effectiveness as a whole.

The evaluation covers the Board's composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All directors complete a questionnaire regarding the Board and committees' processes, their effectiveness and where improvements may be considered. The process also includes a peer review in which directors assess their fellow directors' performance against set criteria, including the skills they bring to the Group and the contribution they make. The Company Secretary reported the outcome of the evaluation exercise to the Nomination Committee and then to the Board for review.

## 4. MEETINGS

### 4.1 Board Meetings

All Board meetings for the ensuing year are scheduled by December in the year before so as to allow Directors to plan ahead. The Chairman should ensure that the Board meets at least four (4) times a year or once in each quarter of the year. At each scheduled meeting, the Board should receive and consider:

- 4.1.1. A comprehensive report from the Managing Director detailing the operations of the Company that includes Operating Results, Cash Flow Projections and operational information, amongst others;
- 4.1.2. Specific proposals for capital expenditure and acquisitions;
- 4.1.3. Proposal for disposal of Company Assets;
- 4.1.4. Major issues and opportunities for the Company;
- 4.1.5. Committee Minutes/Board Circular Resolutions for notation;
- 4.1.6. Changes in Directorship and Disclosure of Interest;
- 4.1.7. Disclosure of Dealings by Directors/Principal Officers;
- 4.1.8. Summary of share ownership movement; and
- 4.1.9. Any other matters requiring its authority.

In addition, the Board should, at least once a year:

- i. Review the Company objectives and goals;
- ii. Review the strategies for achieving the goals;
- iii. Approve the Annual Plan and budget;
- iv. Consider and, if appropriate, declare or recommend the payment of dividends;
- v. Review non-executive Members' remuneration;
- vi. Review the report from the Audit Committee on their activities during the year;
- vii. Based on the recommendations from the Audit Committee:

- viii. Approve the quarterly announcements and annual financial statements to Shareholders and public;
- ix. Approve the annual report;
- x. Review and approve the Group's audit requirements; and
- xi. Review and approve control policies.
- xii. Based on the report and recommendations from the Board Nomination and Remuneration Committee:
  - xiii. Review and adopt the Board composition, structure and succession;
  - xiv. Review and confirm the performance of, necessity for and composition of Board Committees;
  - xv. Review the Board and individual Member evaluations; and
  - xvi. Review and approve the Managing Director's performance evaluation;
  - xvii. Review and approve the remuneration package of the Managing Director; and
  - xviii. Review and approve the remuneration policies and practices in general.

The Articles of Association of the Company provides that the quorum for the Board's meetings shall be two Members, unless otherwise determined by the Board from time to time.

Questions arising at any meeting of the Directors shall be determined by a majority of votes, each Director having one (1) vote. In the case of equality of votes provided more than two (2) Directors present in person are competent to vote on the question at issue, but not otherwise, the Chairman of such meeting shall have a casting vote. Directors can cause their disagreement with the decision agreed by the majority of the Board together with their reasons to be noted in the minutes of meetings.

The responsibility for Board meeting agendas shall be that of the Chairman with input from Board Members and the Company Secretary. The Chairman could also ask Management to participate in this process. The agenda for each meeting shall be circulated at least seven (7) working days before each meeting to the Board Members and all those who are required to attend the meeting. Written materials including information requested by the Board from Management and/or external consultants shall be received together with the agenda for the meetings. The Board information package should not just be historical or bottom line and financial oriented but information that goes beyond assessing the quantitative performance of the Company and looks at other performance measures such as customer satisfaction, service quality, environmental performance, and etc.

The Chairman shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Board. The minutes of meetings shall accurately record decisions taken and the views of individual Board Members, where appropriate. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to all Members of the Board 14 days thereafter.

Board Members are expected to make all effort to attend Board meetings and prepare thoroughly for deliberations of the Board. Members are expected to participate fully, frankly and constructively in Board discussions and activities and to bring the benefit of their particular knowledge, skills and abilities to the Board deliberations.

Board discussions should be open and constructive, recognising that genuinely held differences of opinion could, in circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary or disclosure is required by law. Subject to legal or regulatory requirements, the Board will decide the manner and timing of the publication of its decisions.

Executive Members attend Board meetings to discharge their Board responsibilities. At Board Meetings, Board responsibilities supersede all executive responsibilities.

#### **4.2 Annual General Meeting and Extraordinary General Meeting**

In accordance with the Companies Act 2016, every registered company have to hold its Annual General Meeting (“AGM”) within six (6) months after the closure of its audited account in every calendar year.

The group adopt 31<sup>st</sup> December as their financial year end. Thus, after the finalisation of the audited accounts, the companies usually have their AGM not exceeding 30<sup>th</sup> June in every calendar year.

Companies also hold Extraordinary General Meeting (“EGM”) if the need arise earlier and when it is too urgent to wait for the forthcoming AGM. However, for public listed Companies (PLCs) in the

Group, the AGM and EGM are held on the same day but separately convened in order to resolve different types of motion.

The normal agenda passed in an AGM by shareholders are as follows:-

- i. To lay the audited financial statements and the reports of the directors and auditors;
- ii. To re-elect Directors;
- iii. To approve the payment of Directors' Fee (if any);
- iv. To approve the payment of Final Dividend (if any);
- v. To reappoint Auditors for the ensuing year and to authorised the Director to fix their remuneration;
- vi. To transact any other ordinary business of which due notice shall have been given.

## **5. REMUNERATION**

- i. Approval of the remuneration arrangements for Non-Executive Directors; the Non-Executive Directors whose remuneration is being deliberated by the Board should play no part in the deliberations;
- ii. Approval of the remuneration structure and policy for Executive Directors and key executives based upon recommendations of the Board Nomination and Remuneration Committee;
- iii. Approval of remuneration packages for Executive Directors and senior executives;
- iv. Approval of any proposed new employees' share option scheme;
- v. Approval of allocation and share grants in employee share schemes.

## **6. ACCESS TO INDEPENDENT PROFESSIONAL ADVICE**

In discharging directors' duties, each Member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a Member considers such advice is necessary, the Member shall first discuss it with the Chairman and, having done so, the Member shall bring this matter up with the Board. The reason(s) for seeking independent professional advice and the proposed cost involved should be presented to the Board for approval. Once Board approval is obtained, the Member is free to proceed.

The Member should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the names(s) of the professional advisors that he/she intends

to contact, together with a brief summary of the subject matter for which professional advice is sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. In the event that one (1) or more directors seek to appoint one (1) or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus. Fees for the independent professional advice will be payable by the Company but approval of the Board will be required.

The above restriction shall not apply to Executive Directors acting in the furtherance of their executive responsibilities and within their delegated powers.

For the purposes of this section, independent professional advice shall include legal, accounting or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the directors (such as with respect to their contracts or disputes with the Company), unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

## **7. ACCOUNTABILITY AND AUDIT**

### **7.1 Duty to Keep Account**

By virtue of Section 245 of the Companies Act 2016, every director of the company must ensure that his company keeps proper books of accounts in respect of all transactions of goods (i.e. sales and purchase) by the company, all receipts and expenditures, statement of the annual stock-takings and the assets and liabilities.

The books of accounts must give a true and fair view of the state of the affairs of the company. The books of accounts must be kept at the registered office of the company, or at such other places as the directors think convenient; and must, at all times, be open to inspection by the directors [Section 245(4) of the Companies Act 2016].

If any director of the company fails to take reasonable steps to secure compliance by the company with the foregoing requirements, he/she is liable upon conviction, to an imprisonment for a term of three years, or RM500,000 [Section 539(1) of the Companies Act 2016]. If a director of the company makes an agreement with other parties knowing fully well at that particular time that the company cannot pay the debt then the director is personally liable for the debt contracted; the director will be liable to be imprisoned for five years or a fine of RM500,000.

## **7.2 Directors Report**

Directors are under a statutory duty to present a report to the members together with the accounts. The director's report is a report with respect to the state of affairs of company and contains information to shareholders on the year's activities and results [Section 252(2) of the Companies Act 2016]. Further, [Section 253 of the Companies Act 2016] obliges the directors to attach to every balance sheet and profit and loss account laid before the company in general meeting a director's statement on whether, in the opinion of the directors:

- 7.2.1.** The profit and loss account, and where applicable the consolidated profit and loss account, is or are drawn up so as to give a true and fair view of the results of the business of the company and, if applicable, of all the companies the accounts of which are dealt with in the consolidated profit and loss account for the period covered by the account or accounts;
- 7.2.2.** The balance sheet, and where applicable the consolidated balance sheet, is or are drawn up so as to give a true and fair view of the state of affairs of the company and if, applicable, of all the companies the affairs of which are dealt with the consolidated balance sheet as the end of that period; and
- 7.2.3.** The accounts, and where applicable the consolidated accounts have been made out in accordance with the applicable approved accounting standards.

## **7.3. Financial**

- 7.3.1.** Approval of quarterly and annual financial statements based on recommendations of the Audit Committee;
- 7.3.2.** Approval of the release of financial announcements;
- 7.3.3.** Approval of the Annual Directors' Report and Statutory Financial Statements;
- 7.3.4.** Approval of interim dividends, the recommendation of final dividends and the making of any other distribution;
- 7.3.5.** Adoption of accounting policies;
- 7.3.6.** Approval of corporate policies and procedures, including the Group's system of internal control;

- 7.3.7. Review of the effectiveness of the Group’s system of internal control;
- 7.3.8. Disclosure of the state of internal controls of the Group to be included in the annual report.
- 7.3.9. On annual basis annual reports that includes annual audited financial statements together with the auditors and directors reports shall be forwarded to Bursa Securities and Shareholders within six (6) months from the close of the financial year of the company.

#### **7.4. Internal Control and Risk Management**

- 7.4.1. Assess the quality and effectiveness of the systems of internal control and the efficiency of the Group’s operations, particularly those relating to areas of significant risks. Evaluate the process the Group has in place for assessing and continuously improving internal controls.
- 7.4.2. Assess the internal process for determining and managing key risks other than those that are dealt with by other specific Board committees.
- 7.4.3. Review the scope of internal and external auditors’ review of internal control over the Group.
- 7.4.4. Review Internal Audit reports (including those of the Group) and Management’s response and ensure that appropriate action is taken in respect of these and Audit Committee resolutions. Where actions are not taken within an adequate timeframe by management, the Audit Committee will report to the Board for its action.
- 7.4.5. Review External Audit reports and Management’s response and ensure that appropriate action is taken in respect of these reports and Audit Committee resolutions.

### **8. COMMUNICATION AND INVESTOR RELATIONS**

#### **8.1 Investor Relations**

Although the primary duty of the Board is to provide accountability to its Shareholders, a wide range of stakeholders have begun to look to the Board to provide information about the Company’s standing. This includes the regulators for statutory disclosure, creditors and lenders



for the confirmation on financial status, customers for continuation of service, employees for employment prospects and others whose interests are affected by the Company's standing and behaviour. In meeting these accountability responsibilities, the Board will use its best endeavours to familiarize itself with issues of concern to Shareholders and stakeholders.

The Board delegates the authority to the Chairman and Managing Director to speak for the Company. The communication with external parties includes the Shareholders, institutional investors, press, customers and others. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

## **8.2 Customers**

Success depends on our ability to consistently satisfy changing customer preferences. We pledge to be innovative and responsive, while offering high quality products and services at competitive prices.

## **8.3 Employees**

The quality of workforce is a valuable asset and a competitive advantage to the Group. To continue, we will strive to hire and retain the most qualified people available and maximize their opportunities for success through training and development. We are committed to maintaining a safe work environment enriched by diversity and characterized by open communication, trust and fair treatment.

## **8.4 Communities**

E.A. Technique pledges to be a good corporate citizen in all the places it operates. We will maintain the highest ethical standards, obey all applicable laws and regulations, and respect local and national cultures. Above all other objectives, we are dedicated to operating a safe and environmentally responsible operations.

## **9. COMPANY SECRETARY (IES)**

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole.

The Secretary is responsible for ensuring that Board procedures are followed, that the application rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Secretary is also responsible for ensuring compliance by the Company with the relevant regulations affecting the Company, including but not limited to the Companies Act 2016,

the Bursa Malaysia Listing Requirements, Malaysian Code on Corporate Governance and the Securities Commission provisions.

All members, particularly the Chairman, have unrestricted access to the advice and services of the Secretary for the purposes of the Board's affairs and the business.

#### **10. CONFLICT OF INTERESTS**

The Company's policy requires that directors, officers and employees avoid any conflict between their own interests and the interests of the Group in dealing with suppliers, customers and other third parties, and in the conduct of their personal affairs, including transactions in securities of the Company, any affiliated or any non-affiliated organization.

It is also a conflict of interest for an employee, during or subsequent to the employment and without proper authority, to give or make available to anyone, or use for his/her own benefit, information of a confidential nature derived from his/her employment.

While it is not practicable to enumerate all situations, which might give, rise to a violation of the policy on Conflicts of Interest.

#### **11. APPLICABLE REGULATORY FRAMEWORK & GUIDELINE**

The Board Charter only serves as a reference for the Board Members in discharging their fiduciary duties and responsibilities. The provisions contained within the Board Charter do not replace nor supersede the laws of Malaysia, namely the Bursa Malaysia Listing Requirements, Securities Commission's requirement nor any regulatory frameworks applicable. The Charter will definitely adopt any amendments/changes to the Bursa Malaysia Listing Requirements and/or the Companies Act 2016 and/or any other relevant rules and regulations from time to time for Best Practices.

#### **12. PERIODIC REVIEW**

This Board Charter will be periodically reviewed to ensure the needs of the Company are met as well as to encompass any development in rules and regulations that may have an impact on the discharge of the Board's duties and responsibilities.