

Corporate Governance Statement

The Board of Octagon is committed to ensure that a high standard of corporate governance practices are implemented throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' interest and value and financial performance of the Group. In this respect, the Board is pleased to present the manner in which it has applied, wherever practical and reasonable, the principles and best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") throughout the financial year ended 31 October 2010.

THE BOARD OF DIRECTORS

1. The Board

The Board has the overall responsibility for corporate governance of the Company including strategic planning, overseeing the Company's business conducts, direction charting, goals setting for management and monitoring the achievement of these goals. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

2. Meetings

There were 6 Board meetings held in the financial year under review in which all the members of the Board were present.

The Board meetings are held regularly, at least 4 times a year. The Board also meets on ad-hoc basis to deliberate urgent issues concerning corporate proposals or matters that require the Directors' approval.

3. Composition of the Board and Board Balance

(a) Current Board

The current Board consists of 6 members, comprising 3 Executive Directors and 3 Independent Non-Executive Directors.

(b) Composition of the Board

For the financial year under review, all Non-Executive Directors are independent. This exceeds the best practices set out in the Code which require that at least one-third of the memberships of the Board are Independent Non-Executive Directors.

(c) Balance of the Board

The composition of the Board reflects a mix of members that possess a wide range of business, financial and technical skills. The presence of Independent Non-Executive Directors brings an additional element of balance to the Board as they provide unbiased and independent views, advice and judgement. Although all the Directors have an equal responsibility for the management of the Group, the Independent Non-Executive Directors play significant roles, acting in the best interest of the Group, its shareholders and other stakeholders, in exercising its independent judgement to bear on issues of strategy, performance, resources and standards of conduct and ensuring that the strategies proposed by the executive management are fully discussed and examined.

Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Nik Ahmad Kamil is the Senior Independent Non-Executive Director of the Company and any concerns of the minority shareholders of Octagon in relation to the Group can be conveyed to him.

Corporate Governance Statement (Cont'd)

4. Division of Roles and Responsibilities between the Chairman and the Managing Director / Chief Executive Officer

In accordance with the requirements of the Code, there is a distinct and clear division of roles and responsibilities between the Chairman and the Managing Director / Chief Executive Officer to ensure that there is a balance of power and authority and that no one individual has unfettered power of decision.

The Chairman is primarily responsible for ensuring Board effectiveness and conduct whilst the Managing Director / Chief Executive Officer has overall responsibility over the operational and business units, organisational effectiveness and implementation of Board's policies, directives, strategies, mandate and decisions.

5. Appointments to the Board

The Nomination Committee is responsible for making recommendations for any appointments to the Board. All decisions on appointments are made by the Board after considering the recommendations of the Nomination Committee. Further details on the Nomination Committee are set out on pages 20 to 21 of this Annual Report.

6. Retirement and Re-election of Directors

In accordance with Article 81 of the Articles of Association of the Company, at least one-third of the Directors or if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election every year provided always that all Directors shall retire from office at least once in every 3 years but shall be eligible for re-election.

Details of Directors seeking re-election at the forthcoming AGM are disclosed in the Statement Accompanying Notice of the Eleventh AGM in this Annual Report.

7. Director' Trainings

All Directors have attended the Mandatory Accreditation Programme conducted by Bursa Securities. All Directors are also encouraged to attend programmes and seminars to keep abreast with the relevant changes in laws and regulations and developments in the industry.

Throughout the year, the Directors also received internal updates and briefings, particularly on regulatory, industry, technology and legal developments, including information on significant changes in business risks and procedures instituted to mitigate such risks.

The Directors are responsible to determine their continuous training needs to keep abreast with the relevant regulatory and corporate governance development.

During the financial year ended 31 October 2010, some of the members of the Board have attended various training programs and seminars to further broaden their skills and knowledge to keep them abreast with new developments in regulations and legislations in the following areas :-

- Financial Reporting Standards (FRS) updates,
- Transfer Pricing,
- Financial Institution's Directors Education Programme ('FIDE')- Developing High Impact Board,
- FIDE- Building Audit Committees for Tomorrow,
- FIDE- Board Risk Management Committees: Managing Risk in Financial Institutions, and
- Goods and Services Tax overview and implementation.

Corporate Governance Statement (Cont'd)

8. Supply of information

The Board, individually and collectively, has full and unrestricted access to all information pertaining to the Group's businesses and affairs and is provided with timely information, including performance reports of the Group, to enable the discharge of its duties. In addition, there is a schedule of matters reserved specifically for the Board's decision which include major investments and financial decisions, the approval of corporate exercises and acquisitions and disposals of assets that are material to the Group.

All Directors have access to the advice and service of the Company Secretary and senior management in carrying out their duties. A procedure is in place for any Directors to take independent professional advice, where necessary in the furtherance of their duties, at the Company's expense.

9. Board Committees

The Board has delegated specific responsibilities to Board Committees which operate within clearly defined terms of reference. These committees have been established to assist the Board in the execution of its responsibilities, the details of which are set out below: -

(a) Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the outsourced internal audit function and ensures that an objective and professional relationship is maintained with the external auditors. The Audit Committee members, comprise exclusively of Independent Non-Executive Directors, have direct communication channels with both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee.

During the financial year ended 31 October 2010, 4 meetings were held with all members present.

The Audit Committee report is set out on pages 26 to 29 of this Annual Report.

(b) Nomination Committee

The Nomination Committee is responsible for identifying and recommending new nominees to the Board as well as committees of the Board. All decisions on appointments are made by the Board after considering the recommendations of the Nomination Committee.

The Nomination Committee comprise exclusively of Independent Non-Executive Directors. The current members of the Nomination Committee are as follows: -

Chairman	:	Datuk Wan Kassim Bin Ahmed <i>Independent Non-Executive Director</i>
Member	:	Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Nik Ahmad Kamil <i>Independent Non-Executive Chairman</i>

The functions of the Nomination Committee are as follows:

- (i) to recommend to the Board, candidates for all directorships to be filled by shareholders or the Board;
- (ii) to establish the requirements on the skills, knowledge, expertise, experience, professionalism, integrity and other areas of competencies of a director;
- (iii) in the case of persons for the position of Independent Non-Executive Director, to evaluate the persons' ability to discharge such responsibility, functions as expected from independent non-executive directors;

Corporate Governance Statement (Cont'd)

- (iv) to recommend to the Board, the Directors to fill the seats on Board committees;
- (v) to consider, in making its recommendations, candidates for directorships proposed by the Chairman and, within the bounds of practicability, by any other Director or senior executive or substantial shareholder;
- (vi) to assess the effectiveness of the Board as a whole on an annual basis, the committees of the Board and the contribution of each individual Director including Independent Non-Executive Directors as well as the Chief Executive Officer. All assessments and evaluations should be documented; and
- (vii) to undertake an annual review of the required mix of skills, experience and other core competencies within the Board which is necessary to enable the Company to achieve its corporate objectives.

During the financial year ended 31 October 2010, 2 meetings were held with all members present.

(c) Remuneration Committee

The duties of the Remuneration Committee are to recommend to the Board on remuneration packages and benefits extended to the Executive Directors.

The members of the Remuneration Committee, which consist of mainly Non-Executive Directors, are: -

Chairman : Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Nik Ahmad Kamil
Independent Non-Executive Chairman

Members : Datuk Wan Kassim Bin Ahmed
Independent Non-Executive Director

Mazlan Bin Ali
Managing Director and Chief Executive Officer

The functions of the Remuneration Committee are as follows:-

- (i) to ensure that the Executive Directors are appropriately rewarded, giving due regard to the performance of the individual Director and the performance of the Company; and
- (ii) to recommend to the Board on remuneration packages and benefits extended to the Executive Directors, drawing from outside advice where necessary.

During the financial year ended 31 October 2010, one meeting was held with all members present.

(d) Other Committees

Other than the above, the Board is also assisted by other committees such as the Risk Management Committee. The members of this committee comprise of an Independent Non-Executive Director, Executive Directors of the Company and/or the senior management of the Octagon Group.

The Risk Management Committee was set up to review, assess and recommend risk management strategies and policies to the Board as well as overseeing the risk management process. It is led by an Independent Non-Executive Director.

During the financial year ended 31 October 2010, 4 meetings were held with all members present.

Corporate Governance Statement (Cont'd)

10. Director's Remuneration

The remuneration of the Executive Directors is structured to link rewards to corporate and individual performance in order to attract, retain and motivate the Executive Directors to run the Group successfully. In the case of the Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The Remuneration Committee reviews and recommends to the Board the remuneration package of each of the Executive Directors. It is the responsibility of the entire Board to approve the remuneration of the Executive Directors. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole. Each individual Director abstains from the Board's deliberations in respect of his/her own remuneration.

Details of remuneration of the Directors' for the financial year ended 31 October 2010 are as follows:-

Directors	Salaries and Other				Total RM
	Fees RM	Emoluments RM	Bonuses RM	Other Benefits RM	
Executive	126,000	720,150	40,850	92,584	979,584
Non-Executive	264,000	-	-	-	264,000
Total	390,000	720,150	40,850	92,584	1,243,584

The analysis of the Directors' remuneration based on successive bands of RM50,000 is as follows: -

	Executive	No. of Directors Non-Executive
Less than RM100,000	-	2
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	1	-
RM300,001 - RM350,000	1	-
RM350,001 - RM400,000	1	-

The details of the remuneration of each individual Director are not disclosed as the Board deems such information to be private and confidential.

Corporate Governance Statement (Cont'd)

SHAREHOLDERS AND INVESTORS RELATION

1. Channels of Communication

The Board and management convey information about the Company's performance and matters affecting shareholders' interest to the shareholders and investors through timely dissemination of information via various channels of communication which include annual reports, circulars to its shareholders, quarterly results and announcements released to Bursa Securities. The Board also provides an avenue to the shareholders of the Company to access information electronically via the Company's website at www.octagon-consolidated.com.

2. Dialogue between the Company and Investors

Octagon is a corporate member of the Malaysian Investor Relations Association, which was established by Bursa Malaysia Securities Berhad. Care is taken to ensure all information disseminated via the Company's website and Bursa announcements are accurate and timely. In addition, the Board also values dialogue with investors as a means of effective communication and held meetings with institutional investors / analysts during the financial year ended 31 October 2010 to keep them abreast with the latest developments and performance of the Company.

3. The AGM

The AGM is the principal forum for dialogue with all shareholders and the Board encourages shareholders to attend and participate in the AGM. At the AGM, the CEO will brief the shareholders on the Group's activities and strategies. The shareholders have direct access to the Board and are given opportunities to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the question and answer session.

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 21 days before the AGM. The notice of AGM is also published in nationally circulated daily newspaper. The Board is available to respond to the questions raised by the shareholders during the meeting and, where appropriate, the Board will provide written answers to any questions that cannot be readily answered during the AGM.

Each item of special business included in the notice of the AGM will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. Shareholders are also informed and invited to attend any Extraordinary General Meetings ("EGMs") through circulars and notices of the EGMs.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board endeavours to present a balanced and understandable assessment of the Octagon Group's businesses, operations, financial position and prospects in the financial reports. In this respect, it is the Board's policy to ensure the accurate and timely dissemination of financial and corporate announcements to Bursa Securities for greater accountability and transparency.

Corporate Governance Statement (Cont'd)

2. Internal Control

The Board recognises the importance of sound internal control and risk management practices to good corporate governance. In this respect, the Board affirms its overall responsibility for the Octagon Group's systems of internal control and risk management and for reviewing the adequacy and integrity of those systems.

The Group's Statement on Internal Control set out on pages 30 to 31 of this Annual Report, reviewed by the Company's external auditors, provides an overview of the state of internal controls within the Group.

3. Relationship with the Auditors

The Company, through the Audit Committee, has always maintained a formal and transparent relationship with the auditors in seeking professional advice and ensuring compliance with the approved accounting standards and suggestions on internal control.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board is responsible to prepare financial statements which have been prepared in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Octagon Group and the Company at the end of the financial year.

In preparing the financial statements of the Company and the Group for the financial year ended 31 October 2010, the Board has adopted and consistently applied appropriate accounting policies, made judgements and estimates that are reasonable and prudent and ensured that all applicable accounting standards have been complied with. The Board also confirms that the financial statements have been prepared on a going concern basis.

The Board is also responsible for: -

- (a) ensuring that the accounting records, which disclose with reasonable accuracy the financial position of the Octagon Group and the Company, are properly kept;
- (b) taking reasonable steps to safeguard the assets of the Company; and
- (c) taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE SOCIAL RESPONSIBILITY

Delivering environmental friendly solutions for sustainable development

Our Group belief in renewable and sustainable source of energy without harming the environment, thus our CleanTech division is undertaking such renewable energy projects like Waste to Energy and Waste to Fuel.

Our commitment to meet the current needs without sacrificing the future has not faltered despite the challenging times. The Group is continuously seeking improvements to enhance its products and deliver environmentally friendly solutions.

As a responsible corporate citizen, we ensure safety, quality and hygiene in our products. The Coating divisions are members of the Sony Green Partnership Programme, which signifies that Octagon's products are environmentally friendly. Our products are hazardous substances free and compliance to the international Regulation of Hazardous Substances ("RoHS").

Corporate Governance Statement (Cont'd)

We apply technology and innovation to our second core business, CleanTech, to manage waste and create alternative energy. Our projects are expected to generate clean energy from renewable or alternative sources such as municipal solid wastes, medical wastes, industrial hazardous wastes and waste tyres using technologies and processes that are environmental friendly.

Human Resource Development

In Octagon, we recognize the crucial need in maintaining highly competent and motivated employees. Our employees are rewarded based on their contributions and opportunities are provided for career advancement within the Group.

The Group's recreational club organizes various activities to foster closer ties and to develop a sense of esprit de corp between the staff. At Octagon, we strive to maintain a healthy work-life balance for all our employees.

Health, Safety and Environmental

As a responsible and caring employer, we prized the safety and well-being of our staff. Safety training courses such as First Aid, CPR and safe chemical handling were conducted to ensure our staff are prepared to face such situations should the need arises.

Our responsibilities to the future generation are always on our minds, as such Octagon is focused through its CleanTech business to provide better living environment for both ourselves and our future generations. Our contribution will be via:

- Waste to Energy which uses municipal solid wastes, medical wastes, industrial hazardous wastes to convert to energy,
- Waste to Fuel which converts tyres to source of fuels.

Durachem is also a certified ISO14001 (Environmental Management Systems Standard) company. ISO 14001 is applicable to any organization that wishes to establish, implement, maintain and improve an environmental management system, to assure itself of conformity with its stated environmental policy.

This corporate governance statement is made in accordance with the resolution of the Board dated 28 March 2011.