

# Statement on Corporate Governance



It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards of good corporate governance set out in the Malaysian Code on Corporate Governance (the "Code"). The Board of Directors ("Board") had seen and approved this statement on corporate governance and wish to report on the application of these principles in the Group.

## APPLICATION OF PRINCIPLES

### A. Directors

#### I. The Board

The business of the Company and the Group is managed by the Board, which is responsible for ensuring that the Group is properly managed to achieve expected long-term improvement in shareholders value.

The Board has a formal schedule of matters for discussion. It includes issues relating to broad policy decisions, quarterly and annual financial results, annual business plans and budgets, significant acquisitions and disposals, material agreements, major capital expenditures and senior executive appointments. Other matters are delegated to Board Committees, officers and line management.

There were five board meetings held during the financial year and the attendance of the directors at these meetings were as follows:

Name	Attendance
Dato' Tan Heng Chew	3
Dr. Fun Woh Peng	5
Azman Badrillah	5
Tan Eng Hwa	5
Dato' N. Sadasivan	5
Tan Eng Soon	5
Dato' Haji Kamaruddin @ Abas Nordin	4
Mohd. Sharif Haji Yusof	5
Sow Soon Hock	5
Oei Kok Eong	5

All directors had complied with the requirement to attend more than 50% of the total meetings held during the year.

#### II. Board Composition

As at 31 December 2009, the Board comprises 10 members. Six directors hold non-executive positions, including the Chairman and 3 independent directors, and the remaining four having executive functions. The composition of the Board is in compliance with the requirement that one-third of the directors must be independent directors.

No individual or group of individuals dominates the Board's decision making. The roles of the Chairman and the executive directors are separate and clearly defined. The Chairman is responsible for the proper conduct of meetings and ensuring an effective Board whilst the executive directors are responsible for the operations of the business units and implementation of Board decisions and policies.

The directors have wide-ranging experiences, having had previously occupied or are currently occupying senior positions in the corporate and government sectors. The profiles of the Board members are set out on pages 10 to 12.

All the non-executive directors are independent of management and have no relationships which could materially interfere with the exercise of their independent judgment.

#### III. Supply of information

Board members are provided with appropriate documentation in advance of each Board and Committee meeting. For Board meetings, these documents may include reports on current trading and business issues, financial reports, proposal papers for capital expenditures, acquisitions and disposals from the executive directors, heads of operations and/or the group financial officer as well as proposals for senior executive appointments. In addition to formal Board meetings, the Chairman and executive directors also maintain regular contacts with all other directors and hold informal meetings with the non-executive directors to discuss issues affecting the Group.

There is an agreed procedure for directors to seek independent professional advice at the Company's expense; directors also have direct access to the advice and services of the company secretaries who are responsible for ensuring that Board procedures are followed.

## IV. Appointments to the Board

The Board is of the view that proposals for appointment of new directors and the assessment of the contribution of the existing directors are more effective by drawing on the experience and wisdom of all directors. As such, both functions are performed by the Board collectively when necessary and appropriate. Hence, there is no nomination committee required.

## V. Re-election

The Company's Articles of Association provide that at every Annual General Meeting of the Company, one-third of the directors shall retire from office and that all directors shall retire from office once at least in each three years, but shall be eligible for re-election. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. Any director appointed by the Board shall hold office only until the following Annual General Meeting but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting. The Board may from time to time appoint one or more of its number to any executive office for such period and on such terms as it thinks fit.

Non-executive directors are not appointed for a specific term and are subject to re-election by shareholders at the next Annual General Meeting following their appointment, or to re-election in accordance with the Company's Articles of Association.

Directors who are due for re-election by rotation in accordance with Article 96 of the Articles of Association of the Company at the forthcoming Thirteenth Annual General Meeting are Dato' Tan Heng Chew, Messrs. Sow Soon Hock and Oei Kok Eong. Mr. Sow however will not be seeking re-election. Dato' Haji Kamaruddin @ Abas Nordin, Dato' N Sadasivan and Mohd Sharif Haji Yusof, having attained the age of seventy years, are seeking appointment as directors under Section 129 of the Companies Act, 1965. The profiles of the directors due for re-election and appointment are set out on pages 10 and 12.

## VI Training

All directors had fulfilled the Mandatory Accreditation Programme requirement as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The directors evaluate and determine their own training needs on a continuing basis, participating in seminars, discussions and education programmes in keeping themselves abreast with the constant changes in regulatory authorities' requirements and development in the business environment.

Among the training that the directors attended during 2009 were briefings on Financial Reporting Standards ["FRS"], in particular FRS 139, as well as on Risk Oversight which were organized by the Company's auditors, talks relating to Corporate Governance arranged by Bursa Malaysia and Malaysian Institute of Accountants and leadership programmes organized by Harvard Club of Malaysia. A director also participated as a speaker at a conference on service excellence.

## B. Directors' Remuneration

The Board is of the view that the present policy on directors' remuneration based on guidelines formulated by drawing on the wealth of experience of all directors is more effective than policies that would have been formulated by a committee of the Board. Hence, a remuneration committee is not required as the role is performed by the Board as a whole as and when necessary or appropriate.

The remuneration policy of the Group which sets out the manner in remunerating executive employees below Board level seeks to attract and retain as well as to motivate employees to contribute positively to the Group's performance. Such key principles and procedures in rewarding employees also are applicable to the executive directors.

The guidelines on the quantum of bonus payments in 2009 and annual salary increment for 2010 for executive employees of the Group, recommended to the Board for its approval by committees, whose members included senior heads of operations below Board level, were based on performance and depended on the operating results of the Group after taking into consideration the prevailing business environment. The same guidelines were applied to the executive directors.

Director's fee paid in 2009 to each of the non-executive directors is determined by the Board as a whole, subject to an aggregate amount not exceeding RM250,000 per annum, the sum of which was approved by shareholders at the Fourth Annual General Meeting held in 2001. The non-executive directors do not participate in the discussion relating to their fees.

The Board is seeking for approval from shareholders at the Thirteenth Annual General Meeting to increase the aggregate amount payable to non-executive directors of an amount not exceeding RM350,000 per annum in view of the increasingly significant roles of the non-executive directors in corporate governance.

The directors' aggregate remuneration in 2009, paid and payable, with categorization into appropriate components distinguishing between executive and non-executive directors, is set out below:

Category	Executive RM'000	Non-executive RM'000
Directors' fees	-	204
Salaries and allowances	2,659	20
Bonuses	797	-
Benefits-in-kind	144	-
<b>Total</b>	<b>3,600</b>	<b>224</b>

The number of directors whose remuneration falls in the following successive bands of RM50,000 are as follows:

	Executive	Non-executive
RM50,000 and below	-	1
RM50,001 - RM100,000	-	3
RM100,001 - RM 550,000	1	-
RM600,001 - RM650,000	2	-
RM800,001 - RM850,000	1	-
RM1,000,001 - RM1,050,000	1	-
<b>Total</b>	<b>5</b>	<b>4</b>

## C. Relations with Shareholders

### I. Dialogue with Investors

During the year the Company held several group and individual meetings with institutional shareholders and investment communities with the view of fostering greater understanding of the Group's business.

The Group's announcements on its quarterly financial results and corporate exercises in the website of Bursa Malaysia serve to keep shareholders informed of its financial performance and activities on a timely basis.

### II. The AGM

The Twelfth Annual General Meeting ("AGM") of the Company was held on Wednesday 20 May 2009 at 21 Jalan Ipoh Kecil, Kuala Lumpur. It was attended by shareholders comprising registered individuals, proxies and corporate representatives with a total shareholding representing 65.86% of the issued share capital.

A forum was made available during the AGM for shareholders present to raise questions or issues regarding the Group's performance and financial position, which the directors addressed.

## D. Accountability and Audit

### I. Financial Reporting

The Board has presented a balanced and understandable assessment of the Group's financial position and prospects in the various reports and statements made in the Annual Report dispatched to shareholders as well as in the quarterly financial results disseminated via the website of Bursa Malaysia.

The quarterly announcements on the financial results of the Group and financial statements contained in the Annual Report are reviewed by the Audit Committee prior to Board's approval and release to Bursa Malaysia and shareholders.

### II. Internal Control

The Statement on Internal Control set out on page 18 of the Annual Report provides an overview of the state of internal control within the Group.

### III. Audit Committee and Auditors

The Board of Directors established the Audit Committee on 1 November 1999. The membership of the Committee, a summary of its terms of reference and its activities are set out in the Audit Committee Report on pages 19 to 20.

The Board maintains a formal and transparent relationship with the Group's internal and external auditors.

## **Statement on Compliance with the Best Practices in Corporate Governance**

The Board considers that the Company had substantially complied with the Best Practices in Corporate Governance set out in Part 2 of the Code in 2009 except for the formation of the remuneration and nomination committees, for which reasons have been given under the section on “application of principles” in the Statement on Corporate Governance.

## **Statement on Directors’ responsibility for preparing the annual audited financial statements**

The directors are required by the Companies Act, 1965 (the “Act”) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and their results for the financial year.

In preparing the financial statements for the year ended 31 December 2009, the directors have:

1. adopted the appropriate accounting policies, which are consistently applied;
2. made judgments and estimates that are reasonable and prudent; and
3. ensured that the applicable approved accounting standards in Malaysia and provisions of the Act are complied with.

The directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act. The directors have the general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.