

## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The board of directors ("the Board") recognises the important of long-term shareholders value and is pleased to report on the application by the Group of the principles contained in the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance with the best practices of the Code as required under the listing requirement of Malaysia Securities Exchange Berhad.

### THE BOARD

The Board subscribes to the principles of good corporate governance and as such, has been putting efforts to ensure that the Company and the Group achieve best practice in the conduct of their business and operational activities.

The diversified wealth of experience (as presented in the directors' profile) of the Board members has been put to bear when they make judgement on strategies, performance, resources and standards.

An indication of the Board's commitment is reflected in the conduct of regular Board meetings by the company and the incorporation of various processes and systems to achieve a risk awareness culture as well as the establishment of relevant Board Committees and Management Committees at the Company and at its principal operating subsidiaries levels.

There is a clear division of responsibility between the Chairman and the Group Chief Executive Officer to ensure that there is a balance of power and authority. The Chairman has primary responsibilities for the working of the Board. He ensures that all directors are able to contribute and play their full part in all Board's deliberations. The Group Chief Executive Officer is responsible for the corporate strategic planning of the Group and the implementation of such strategies and plans as may be approved by the Board. The presence of independent non-executive Directors of calibre in the Board provides objectivity and weight in Board decisions.

During the financial year ended 31 December 2003, five (5) Board meetings were held.

Details of each Director's attendance are as follows: -

### BOARD MEETINGS

<u>Name</u>	<u>Status</u>	<u>Attendance</u>	<u>%</u>
Dato' Shamsir Bin Omar	Non-Independent	5 of 5	100
Muhamed Bin Abdul Rahman	Non-Independent	5 of 5	100
Tan Lam Hin	Non-Independent	5 of 5	100
Ramli Bin Harun	Independent	5 of 5	100
Mohamad Malik Bin Jamal Mohamed	Independent	5 of 5	100
Zailan Bin Othman	Independent	4 of 5	80

## **CORPORATE GOVERNANCE STATEMENT**

### **BOARD MEETINGS**

Notice, agenda and relevant information are circulated to every members of the Board prior to meetings to enable them to have comprehensive understanding of the issues to be deliberated upon so as to enable them to arrive at an informed decision.

### **BOARD BALANCE**

The composition of the Board is broadly balanced to reflect the interests of major shareholders, management and minority shareholders. There are six (6) Board members comprising:

- Two (2) Executive Directors
- One (1) Chief Executive Officer cum Executive Director
- Three (3) Independent Non-Executive Directors

The three (3) non-executive directors bring their independent judgement to bear in the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of stakeholders. As and when a potential conflict of interests arise, it is a mandatory practice for the directors involved to declare their interests and abstain from the decision-making process.

The Board had not in the financial year under review identified a senior independent non-executive director to whom shareholders' concerns may be conveyed. The Board is in the process of identifying and putting in place a department that matters of concern can be addressed to with the employment of additional resources.

### **SUPPLY OF INFORMATION**

The Directors have full and timely access to information concerning the Company and the Group. The Directors are provided with the relevant agenda and Board papers in sufficient time prior to Board meetings to enable them to obtain further explanation and clarification to facilitate informed decision-making. The Board papers include reports on the Group's financial position, operational and corporate development matters.

The Directors have access to the advice and services of the Company Secretary and senior Management staff in the Group and may also obtain independent professional advice at the Company's expense when necessary.

### **APPOINTMENTS TO BOARD**

In accordance with best practices of the Code, the Board has established a Nomination Committee, which will primarily be responsible for the recommendation of suitable candidates to fill Board vacancies, assessing the effectiveness of the Board, Board Committee and contribution of each individual director on an ongoing basis. No meeting has been held as

## **CORPORATE GOVERNANCE STATEMENT**

the Board is considered to be well balanced (please refer to the profile of directors) notwithstanding the two corporate acquisitions made during the financial year.

### **RE-ELECTION**

In accordance with the Company's Articles of Association, any director appointed during the year is to retire and seek re-election by the shareholders at the following Annual General Meeting immediately after his appointment. The Articles also require that one-third of the Directors to retire by rotation and seek re-election at each Annual General Meeting and that each Director shall submit himself for re-election at least once in every three years.

### **DIRECTORS TRAINING**

All of the directors have attended the Mandatory Accreditation Programme. The directors will continue and are encouraged to undergo other relevant training programmes to enhance their knowledge in the latest statutory and regulatory developments so as to enable them to effectively discharge their responsibilities.

### **DIRECTORS REMUNERATION**

The Remuneration Committee terms and reference were established during the financial year. However, the members are yet to be identified.

### **DIRECTORS REMUNERATION POLICY**

A Director's Remuneration Committee consisting wholly or mainly of non-executive directors to recommend to the Board the remuneration of the executive directors has yet to be constituted. Executive directors will not be involved in discussions on their own remunerations.

The remuneration package of non-executive directors will be a matter for the Board to deliberate and decide.

The levels of remuneration shall be benchmarked against: -

- Adequate levels to attract and retain the directors;
- Linkage to corporate and individual performance;
- Reflective of experience and level of responsibilities.

## **CORPORATE GOVERNANCE STATEMENT**

### **TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

The Remuneration Committee shall be appointed by the Board of Directors and shall comprise at least three (3) members, the majority of whom are independent non-executive directors.

Members of the Remuneration Committee shall elect a Chairman from amongst themselves who is not an Executive Director of the Company or any other company within the Group.

The Remuneration Committee shall review and report to the Board on remuneration and personnel policies, compensation and benefits programmes with the aim to attract, retain and motivate directors of the highest quality.

Members of the Remuneration Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary. The Remuneration Committee will review and recommend, to the Board for approval, another director to fill the vacancy. The vacancy should be filled within two (2) months.

### **ROLE AND RESPONSIBILITY**

The role of this committee is typically:

- ❑ To review the remuneration policy and strategy;
- ❑ To determine on behalf of the Board the terms of engagement and remuneration of the CEO and Executive Directors and to report these to the shareholders. Executive Directors may not play any part in determining their own remuneration. It is for the Board to decide Non-Executive Directors' remuneration, with each Non-Executive Director abstaining from the discussion of his or her own remuneration;
- ❑ To established the principles and limitations on the remuneration of other senior executives;
- ❑ To oversee policy and operations, on behalf of the Board, any long-term performance-related pay plan as it affects Executive Directors;
- ❑ To nominate on behalf of the Board any trustee (or Directors of corporate trustees) of pension scheme, if one exists.

### **AUTHORITY AND POWER**

The Remuneration Committee will have full, free and unrestricted access to the Company's records, properties and personnel in carrying out its duties and responsibilities.

The Remuneration Committee is authorised to seek independent professional advice, at the expense of the Company, in carrying out its duties.

## CORPORATE GOVERNANCE STATEMENT

The Remuneration Committee is not authorised to implement its recommendations on behalf of the Board but to report its recommendations to the Board for the latter's consideration and implementation.

Executive and Non-Executive Directors shall abstain from the discussion, deliberation and voting on decisions in respect of their own remuneration package.

The remuneration and entitlements of Non-Executive Directors, including Non-Executive Chairman are a matter for the Board. The individuals concerned should abstain from discussion on their own remuneration.

### MEETING

The activities of the Remuneration Committee are reviewed from year to year by the Committee in consultation with management. The Remuneration Committee shall meet at a minimum of twice a year. The quorum for each meeting shall be two (2) members.

In summary, the primary function of the Remuneration Committee is to review and report to the Board on remuneration and personnel policies, compensation and benefits programmes with the aim to attract, retain and motivate personnel and directors of the highest quality. The determination of remuneration for the Non-Executive Directors will be decided by the Board with the Directors concerned abstaining from deliberations and voting on decisions in respect of their individual remuneration package.

There was no meeting held by the remuneration committee for the financial year ended 31 December 2003.

The details of the remuneration of each director who served during the financial year ended 31 December 2003 are as follows:

Aggregate remuneration of directors segregated into appropriate categories:

<b>Remuneration (RM'000)</b>	<b>Executive Directors</b>	<b>Non-executive Directors</b>	<b>Total</b>
Fees	280,000	-	280,000
Salaries and other emoluments	96,000	-	96,000
Pension cost – defined contribution plan	12,000	-	12,000
Bonus	-	-	-
Benefits-in-kind	-	-	-
Others	-	-	-
	<u>388,000</u>	<u>-</u>	<u>388,000</u>

## CORPORATE GOVERNANCE STATEMENT

Number of directors whose remuneration falls into the following bands:

Range of remuneration	Number of directors		
	Executive directors	Non-executive directors	Total
Up to RM50,000	-	-	-
RM50,000 to RM100,000	-	-	-
RM100,001 to RM150,000	2	-	2
RM150,001 to RM200,000	1	-	1
	<u>3</u>	<u>-</u>	<u>3</u>

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of maintaining a constructive and effective communication line with all shareholders, investors and the public in general. For this purpose the Company uses the following shareholders and investors relation programmes to provide an up-to-date information to explain its business development and financial achievement and to solicit feedback from shareholders and investors:

- Annual General Meeting / Extraordinary General Meeting
- Public Announcements

Information is disseminated from time to time via the Company's annual reports, circulars to shareholders, quarterly financial results announced through the MASEB. At the moment, the Annual General Meeting remains the principal forum for dialogue with shareholders, providing shareholders with opportunity to seek clarifications and receiving suggestions and comments from shareholders for management's consideration.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors aim to provide a balanced and understandable assessment of the Group's financial position and prospects. The Companies Act, 1965 requires the directors to prepare financial statements for each financial year in accordance with the said Act and applicable approved accounting standards in Malaysia.

A statement by the directors of their responsibilities in preparing these financial statements is set out in the ensuing section.

## **CORPORATE GOVERNANCE STATEMENT**

### **STATEMENT OF DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS**

In accordance with the Companies Act, 1965, the directors are responsible to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for the relevant period. While preparing those financial statements, the directors are required to:

- ❑ select suitable accounting policies and apply them consistently;
- ❑ state whether applicable approved accounting standards have been applied, subject to any material departures being disclosed and explained in the financial statements;
- ❑ make judgements and estimates that are prudent and reasonable;
- ❑ prepare the financial statements on an on-going concern basis

The directors are also responsible for keeping the accounting records that disclose with reasonable accuracy the financial position of the Company and of the Group and to ensure that the financial statements also comply with the Companies Act, 1965. In addition, the directors are responsible for safeguarding the assets of the Group and for taking reasonable steps for the detection and prevention of fraud and irregularities.

### **INTERNAL CONTROL**

The Group's internal control is presented in the Statement of Internal Control.

### **RELATIONSHIP WITH AUDITORS**

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlighted to the Audit Committee and the Board matters that require the Board's attention.

### **STATEMENT OF INTERNAL CONTROL**

#### **INTRODUCTION**

The Statement on Internal Control by the Board of Directors on the Group is made pursuant to the MSEB's Listing Requirements and with regard to the Group's compliance with The Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance ("Code"). Outlined below is the statement on internal control of the Group for the financial year under review prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") issued by the MSEB.