

## STATEMENT ON CORPORATE GOVERNANCE

Set out below is the manner with which the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Code. These principles and best practices have been applied and complied with throughout the year ended 31 December 2009.

### BOARD RESPONSIBILITIES

The Board is responsible for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The key responsibilities include the primary responsibilities prescribed under best practice AA1 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed. The responsibility for matters material to the Group is in the hands of the Board, with no individual having unfettered powers to make decisions. In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Group. The Board has a formal schedule of matters reserved to itself for decision, including the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters.

### COMPOSITION OF THE BOARD

The Board currently has six members, comprising two executive Directors and four non-executive Directors. Three of the Directors are independent Directors, which is in excess of the Listing Requirement of one third. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.

A brief profile of each Director is presented on pages 60 to 61 of this Annual Report.

The Group practises a division of responsibility between the Chairman and the Group Managing Director (GMD) and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and GMD are separate and clearly defined, and are held individually by two persons. The Chairman, who is not a previous GMD, is primarily responsible for the orderly conduct and working of the Board whilst the GMD has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions.

Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad is the senior independent non-executive Director. Any concerns regarding the Group may be conveyed to him.

The terms and conditions of the appointment of Directors are set out in a letter of appointment that sets out, amongst others, the procedures for dealing with conflicts of interest and the availability of independent professional advice. The Board believes that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interests of minority shareholders within the Group.

### BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

The Board has established the following Committees to assist the Board in the execution of its duties:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The number of meetings of the Board and Board Committees held during the year were:

Board of Directors	5 meetings
Audit Committee	5 meetings
Nomination Committee	1 meeting
Remuneration Committee	1 meeting

The composition of the Board and the attendance of each Director at the Board meetings held during the year are as follows:

<b>Name of director</b>	<b>Status of directorship</b>	<b>Independent</b>	<b>Attendance of meetings</b>
Y. Bhg. Gen. Tan Sri Dato' Mohd. Ghazali Hj. Che Mat (R)	Non-executive Chairman	Yes	5/5
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	Group Managing Director	No	5/5
Y. Bhg. Lt. Gen. Dato' Mohd Yusof Din (R)	Non-executive Director	Yes	5/5
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director	Yes	5/5
Y. Bhg. Datuk Azzat Kamaludin	Non-executive Director	No	5/5
Y. Bhg. Dato' Ghazali Mohd Ali	Executive Director	No	5/5

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### INFORMATION FOR THE BOARD

The Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on Group performance and major operational, financial and corporate issues. Minutes of the Board Committees are also tabled at the Board meetings for the Board's information and deliberation.

The Directors have access to the advice and services of the Company Secretary and the terms of appointment permit removal and appointment only by the Board as a whole. The Board of Directors, whether as a full Board or in their individual capacity, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

### DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with paragraph 15.09 of Bursa Malaysia Listing Requirements. Trainings attended by the Directors during the year are as follows:

<b>Course title/organiser</b>	<b>Date</b>
Real Estate Outlook and Opportunities (REHDA Institute)	13 January 2009
Leading Edge Retailing Workshop (Centre for Advanced Retail Concepts)	10 July 2009
National Workshop on Livable Cities (Majlis Bandaraya Petaling Jaya)	21 – 22 July 2009
High Performance Leadership Program (Leaderonomics Sdn Bhd)	4 August 2009
Duty and Responsibility (ZulRafique & Partners)	25 August 2009
Khazanah Megatrends Forum (Khazanah Nasional Berhad)	5 – 6 October 2009
The Financial Institutions Directors' Education (FIDE) Programme Module 1 (Bank Negara Malaysia)	26 – 27 October 2009
The Financial Institutions Directors' Education (FIDE) Programme Module 2 (Bank Negara Malaysia)	19 – 20 November 2009
The Financial Institutions Directors' Education (FIDE) Programme Module 3 (Bank Negara Malaysia)	7 – 8 December 2009

## RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. The Articles further provides that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

## BOARD COMMITTEES

### Audit Committee

The Company has an Audit Committee whose composition meets with the Bursa Malaysia Listing Requirements, where independent Directors form the majority. All members of the Audit Committee are financially literate, while the Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors.

The Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Report of the Audit Committee in the Annual Report.

### Nomination Committee

The Board has established a Nomination Committee comprising entirely independent and non-executive Directors. The composition of the Nomination Committee is as follows:

Y. Bhg. Dato' (Dr.) Megat Abdul Rahman  
Megat Ahmad (Chairman)  
Y. Bhg. Gen. Tan Sri Dato' Mohd Ghazali Hj.  
Che Mat (R)  
Y. Bhg. Lt. Gen. Dato' Mohd Yusof Din (R)

The Nomination Committee is responsible for proposing new nominees to the Board and Board Committees, for assessing on an ongoing basis, the contribution of each individual Director and the overall effectiveness of the Board. The final decision as to who shall be appointed a Director remains the responsibility of the full Board, after considering the recommendation of the Committee. The terms of reference of the Nomination Committee is as follows:

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.
- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between executive Directors, non-executive Directors and independent Directors.
- To establish the mechanisms for the formal assessment of the effectiveness of individual Director, and to annually appraise the performance of the executive Directors including the Group Managing Director based on objective performance criteria as approved by the Board.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee met once during the year and all the members registered full attendance. The Nomination Committee upon its recent annual review carried out is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board.

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### Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Directors, majority of whom are non-executive Directors:

Y. Bhg. Datuk Azzat Kamaludin (Chairman)  
Y. Bhg. Gen. Tan Sri Dato' Mohd Ghazali  
Hj. Che Mat (R)  
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin  
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman  
Megat Ahmad

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the GMD, executive Director and senior executives on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the GMD and the executive Director with each individual Director abstaining from decisions in respect of his own remuneration. In establishing the level of remuneration for the GMD, executive Director and senior executives, the Committee has regard to packages offered by comparable companies, and may obtain independent advice.

The remuneration of the GMD and the executive Director comprises a fixed salary and allowances, and a bonus approved by the Board, which is linked to Group performance. The remuneration for non-executive Directors comprises annual fees, meeting allowance of RM500 each for every meeting that they attend, and reimbursement of expenses for their services in connection with Board and Board Committee meetings.

The terms of reference of the Remuneration Committee is as follows:

- To review annually and make recommendations to the Board the remuneration packages, reward structure and fringe benefits applicable to all executive Directors and senior executives to ensure that rewards commensurate with their contributions to the Group's growth and profitability.
- To review annually the performance of the GMD and the Executive Director and recommend to the Board specific adjustments in remuneration and reward payments if any, to reflect their contributions for the year.
- To ensure that the level of remuneration of the non-executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.
- To keep abreast of the terms and conditions of service of the GMD, the Executive Director and key senior management officers including their total remuneration packages for market comparability; and to review and recommend to Board changes whenever necessary.
- To keep abreast of the remuneration package of the non-executive Directors to ensure that they commensurate with the scope of responsibilities held and to review and recommend to Board changes whenever necessary.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Remuneration Committee met once during the year and all the members registered full attendance.

**DIRECTORS' REMUNERATION**

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2009 are as follows:

	<b>Non-executive Directors</b>	<b>Executive Directors</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Directors' fees	540	210	750
Meeting allowances	63	24	87
Salaries	–	1,611	1,611
Bonuses	–	868	868
Employees provident fund contribution	–	375	375
Benefits in kind & allowances	137	294	431
<b>Total</b>	<b>740</b>	<b>3,382</b>	<b>4,122</b>

Remuneration paid to Directors during the year analysed into bands of RM50,000, which complies with the disclosure requirements under Bursa Malaysia Listing Requirements is as follows:

	<b>Non-executive Directors</b>	<b>Executive Directors</b>
Up to RM100,001 to RM150,000	1	–
From RM150,001 to RM200,000	2	–
From RM300,001 to RM350,000	1	–
From RM1,000,001 to RM1,050,000	–	1
From RM2,350,001 to RM2,400,000	–	1

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### INVESTORS AND SHAREHOLDERS RELATIONSHIP

The Group recognises the importance of timely and thorough dissemination of information to shareholders. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Malaysia and the Malaysian Accounting Standards Board. The Annual Report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information. Apart from the mandatory public announcements through Bursa Malaysia, the Group's website at [www.boustead.com.my](http://www.boustead.com.my) provides corporate, financial and non-financial information. Through the website, shareholders are able to direct queries to the Company. The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby enabling investors to make informed decisions in valuing our Company's shares.

The Group Managing Director and the senior management meet regularly with analysts, institutional shareholders and investors. At general meetings, the Board encourages shareholder participation and responds to their questions. Shareholders can also leave written questions for the Board to respond. The Share Registrar is available to attend to matters relating to shareholder interests. The primary contact for investor relation matters is:

**En. Fahmy bin Ismail**

**Designation** - Senior Manager, Corporate Planning

**Contact details** - telephone number: 03-20317749  
email: [fahmy.cpd@boustead.com.my](mailto:fahmy.cpd@boustead.com.my)

En. Fahmy graduated with a Bachelor of Commerce in Accounting and Finance from University of Sydney, Australia in 1998. He is a Chartered Accountant under Malaysian Institute of Accountants and is also a Certified Practicing Accountant under CPA Australia. En. Fahmy joined Boustead Holdings Berhad in January 2006 as its Corporate Planning Manager. He subsequently advanced to Senior Manager, Corporate Planning in 2009. Prior to joining Boustead, he had held managerial positions in corporate finance and treasury with several public listed companies.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgements and estimates. All accounting standards, which the Board considers to be applicable, have been followed. The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Report of the Audit Committee in the Annual Report.

### Related Party Transactions

Directors recognise that they must declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of management integrity. Details of related party transactions are set out in Note 41 to the annual financial statements.

### Internal Control

The information on the Group's internal control is presented in the Statement on Internal Control in the Annual Report.

### Relationship with External Auditors

The Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The role of the Audit Committee in relation to the Auditors is described in the Report of the Audit Committee in the Annual Report.

**This statement is made in accordance with a resolution of the Board of Directors dated 3 March 2010.**