

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of AmcorpGroup Berhad (“Amcorp” or “the Company”) has always been supportive of the adoption of the principles and best practices as set out in the Malaysian Code on Corporate Governance (“Code”). The Board believes that a high standard of corporate governance is imperative in safeguarding the best interests of all stakeholders and enhancing stakeholders’ value continually.

The Board is therefore pleased to set out below a statement outlining the main corporate governance practices of the Amcorp Group and the manner in which Amcorp has applied and complied with the best practices of the Code throughout the financial year.

## BOARD OF DIRECTORS

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### Board Composition and Balance

The Board, which consists of members from different backgrounds and diverse expertise, is effective and competent in leading and directing Amcorp Group’s business operations. The Directors together as a team set the values and standards of the Company and ensures that it meets its obligations to shareholders and others. A brief description on the background of each current Director is presented on pages 10 to 14 of the Annual Report.

The composition of the Board is well balanced with a good mix of Executive Directors and Independent Non-Executive Directors. There are currently four (4) Executive Directors and six (6) Non-Executive Directors on the Board of Amcorp, of whom five (5) are independent as defined under the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements (“LR”).

The strong number of Independent Non-Executive Directors, which exceeds the one-third (1/3) requirement prescribed in the LR, had enhanced the exercise of independent assessment and objective participation in Board deliberations and the decision-making process.

Y. Bhg. Tan Sri Dato’ Azman Hashim, the Chairman of the Board, also holds an executive position in the Company. The Board had remained mindful

of the dual role held by the Chairman. However, with the strong independent element on the Board, these Independent Non-Executive Directors have provided effective check and balance consistently.

The Board has not identified any independent director as the Senior Independent Non-Executive Director. Any concerns relating to the Group may be conveyed by the stakeholders to any of the independent directors.

### Duties and Responsibilities

The Board’s principal focus is the overall strategic direction, development and control of the Group. In support of this focus, the Board maps out and reviews the Group’s medium and long term strategic plans on an annual basis, so as to align the Group’s business directions and goals with the prevailing economic and market conditions. It also reviews the management performance and ensures that necessary financial and human resources are available to meet the Group’s objectives. The Board’s other main duties include regular oversight of the Group’s business performance, and ensuring that the internal controls and risk management processes of the Group are well in place and are implemented consistently.

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The attendance of Directors at Board meetings are as follows:

Name of Director	No. of Meetings Attended
Tan Sri Dato' Azman Hashim	4/4
Dato' Azlan Hashim	3/4
Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba	4/4
General (Rtd) Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd Ali	3/4
Tan Sri Dato' Lee Lam Thye	4/4
Dato' Ab. Halim bin Mohyiddin	4/4
Dato' Che Md Nawawi bin Ismail (appointed on 28.02. 2006)	N/A
Azmi Hashim	4/4
Soo Kim Wai	4/4
Shalina Azman	3/4

## Board Meetings and Supply of Information

The Board meets at least four (4) times annually. Additional meetings are held as and when required. During the financial year, the Board met four (4) times where it deliberated and considered a variety of matters including the Group's financial results, corporate proposals and strategic issues that affect the Group's business operations.

The agenda for each Board meeting and papers relating to the matters to be deliberated at the meeting are delivered to all Directors for perusal prior to the date of the Board meeting. The Board papers are comprehensive and include all aspects of the matters to be considered to enable the Board to make informed decision.

The Board has complete and unrestricted access to information relating to the Group's businesses and affairs. The Board may require to be provided with further details on the matters to be considered. Senior

Management members are invited to attend the Board meetings to brief the Directors on issues to be considered by the Board. Professional advisers appointed by the Company for corporate proposals to be undertaken by the Company would also be invited to render their advice and opinion to the Directors. The Directors, whether acting as a full board or in their individual capacity, have the liberty to seek independent professional advice at the Company's expense if so required by them.

Every Director has direct access to the advice and services of the Company Secretaries. The Company Secretaries are responsible in ensuring that Board procedures are met and constantly advise the Directors on compliance issues.

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## Appointment to the Board

The proposed appointment of new Board members as well as the proposed re-appointment/re-election of existing Directors who are seeking re-appointment/re-election at the annual general meeting are first considered and evaluated by the Nomination Committee. Upon its evaluation, the Nomination Committee will make recommendations on the proposal(s) to the Board for approval. The Board makes the final decision on the proposed appointment or re-appointment/re-election to be presented to shareholders for approval.

## Re-election and Re-appointment of Directors

In accordance with Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

Pursuant to the Articles of Association of Amcorp, all Directors are subject to re-election by rotation at least once every three (3) years and a re-election of Directors shall take place at each annual general meeting. Directors who are appointed by the Board are subject to election by the shareholders at the annual general meeting held following their appointments.

## Directors' Training

The Board acknowledges the importance of continuous training in order to broaden one's perspective and to keep abreast with the latest regulatory and industry developments.

All the Directors have completed the Mandatory Accreditation Programme ("MAP") and attended various training programmes under the

Continuing Education Programmes ("CEP") for Directors pursuant to the requirements of Bursa Securities. They have also accumulated a minimum of 72 CEP points as required under the provisions of Practice Note 15/2003 (repealed with effect from 1 January 2005).

During the financial year, the Directors attended various executive workshops and seminars on relevant topics to keep abreast with the latest market developments in relation to the Group's business and new regulatory requirements on corporate governance, risk management and financial reporting. Y. Bhg. Dato' Che Md Nawawi bin Ismail, an Independent Non-Executive Director who was appointed to the Board on 28 February 2006, had completed his MAP in April 2006.

The Nomination Committee had reviewed and is satisfied that all the Directors have received appropriate training during the financial year ended 31 March 2006 which enhanced their effectiveness and contribution to the Board.

## Directors' Remuneration

The Board, through its Remuneration Committee and as a whole, reviews and determines the level of remuneration of the Executive and Non-Executive Directors to ensure that it is sufficient to attract and retain the services of the Directors which were vital to the Company. The annual Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting based on recommendation of the Board. Additional allowances are paid to Non-Executive Directors in accordance with the number of meetings attended during the financial year.

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Details of the remuneration of the Directors for the financial year ended 31 March 2006 are as follows:

- Aggregate Remuneration

Category	Executive Directors	Non-Executive Directors
	RM'000	RM'000
Fees	–	183
Basic salaries, bonuses and EPF	7,828	–
Other emoluments	500	47
Benefits-in-kind	232	–
<b>Total</b>	<b>8,560</b>	<b>230</b>

- Analysis of Remuneration

Range of Remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
RM50,000 & below	–	6
RM600,001 – RM650,000	1	–
RM900,001 – RM950,000	1	–
RM2,150,001 – RM2,200,000	1	–
RM4,550,001 – RM4,600,000	1	–

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 10 of Bursa Securities Listing Requirements. The Board is of the opinion that the disclosure through "band disclosure" is sufficient to meet the objectives of the Code. Separate and detailed disclosure of individual Director's remuneration would not add significantly to the understanding of shareholders and other interested persons in this aspect.

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## BOARD COMMITTEES

The Board has delegated certain responsibilities to Board committees, namely, the Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Option Scheme Committee to assist the Board in discharging its fiduciary duties and responsibilities.

Each of this committee operates within the defined constitution or terms of reference approved by the Board. Minutes of each committee meeting are tabled to the Board so that the Board is informed of the deliberations and resolutions made. Additionally, the committees will present their recommendations to the Board for approval, where necessary.

The Board committees in Amcorp are as follows:

### Audit Committee

The Audit Committee is made up of six (6) Non-Executive Directors and one (1) Executive Director, five (5) of whom are independent. The members of the Audit Committee are as follows:

1. **Dato' Ab. Halim bin Mohyiddin**  
*(Independent Non-Executive Director) – Chairman*
2. **Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba**  
*(Independent Non-Executive Director)*
3. **General (Rtd) Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd Ali**  
*(Independent Non-Executive Director)*
4. **Tan Sri Dato' Lee Lam Thye**  
*(Independent Non-Executive Director)*
5. **Dato' Che Md Nawawi bin Ismail**  
*(Independent Non-Executive Director)*  
*(Member effective 28.02.2006)*
6. **Azmi Hashim**  
*(Non-Independent Non-Executive Director)*
7. **Soo Kim Wai**  
*(Non-Independent Executive Director)*

The Audit Committee's principal role is to review the Company's financial statements and the system of internal control to ensure that it adequately identifies and manages corporate-responsibility-related risks. They may also consider whether procedures on internal audit are effective at monitoring adherence to the Company's standards and values.

A full Audit Committee Report enumerating its membership, terms of reference and activities during the financial year is set out on pages 33 to 37 of this Annual Report.

### Nomination Committee

The Nomination Committee is made up entirely of Non-Executive Directors. The members of the Nomination Committee are as follows:

1. **General (Rtd) Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd Ali**  
*(Independent Non-Executive Director) – Chairman*
2. **Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba**  
*(Independent Non-Executive Director)*
3. **Tan Sri Dato' Lee Lam Thye**  
*(Independent Non-Executive Director)*
4. **Azmi Hashim**  
*(Non-Independent Non-Executive Director)*

The Nomination Committee reviews the required mixed of skills, experience and other qualities, including core competencies, which Directors should bring to the Board on an on-going basis. It also recommends candidate for directorship to the Board and membership to Board committees as well as carries out formal assessment on the effectiveness of the Board as a whole and the committees of the Board, and the contribution of each individual Director.

The Nomination Committee held two (2) meetings during the year under review and all the members attended the meetings.

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## Remuneration Committee

The Remuneration Committee is made up entirely of Independent Non-Executive Directors. The members of the Remuneration Committee are as follows:

1. **Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba**  
*(Independent Non-Executive Director) – Chairman*
2. **General (Rtd) Tan Sri (Dr.) Dato' Paduka Mohamed Hashim bin Mohd Ali**  
*(Independent Non-Executive Director)*
3. **Tan Sri Dato' Lee Lam Thye**  
*(Independent Non-Executive Director)*

The Remuneration Committee is primarily responsible in setting the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Executive Director(s) and other members of the staff of the Group with the aim to attract, retain and motivate high caliber individuals.

The Remuneration Committee held two (2) meetings during the year under review and all the members attended the meetings.

## Employees' Share Option Scheme Committee (Option Committee)

The Option Committee, comprising two (2) Executive Directors and one (1) Non-Executive Director, administers the Company's Employees' Share Option Scheme ("the Scheme") implemented on 10 January 2002. The members of the Option Committee are as follows:

1. **Tan Sri Dato' Azman Hashim**  
*(Non-Independent Executive Director) – Chairman*
2. **Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba**  
*(Independent Non-Executive Director)*
3. **Soo Kim Wai**  
*(Non-Independent Executive Director)*

The principal duties and responsibilities of the Option Committee are to construe the Scheme and the options grant under the Scheme and to recommend to the Board the rules and regulations relating to the share option scheme and its administration. The Option Committee meets only as and when required.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board endeavors to present a balanced and comprehensive assessment of the Group's financial performance through the annual audited financial statements and quarterly financial results to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the results of their operations and cash flows for the financial year. The Directors consider that in preparing the financial statements, the Directors have consistently used and applied the appropriate and relevant accounting policies and made judgments and estimates that are reasonable and prudent.

The Directors have a general responsibility in ensuring that the Company and the Group keep proper accounting records in accordance with the provisions of the Companies Act, 1965 to enable the preparation of the financial statements with reasonable accuracy. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

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## Internal Control

The Board acknowledges its overall responsibility in maintaining an internal control system that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as internal procedures and guidelines. However, in view of the size and complexity of the operations of the Group which involved the acceptance and management of a wide variety of risks, the internal control system is designed to provide reasonable but not absolute assurance against the risk of material errors, fraud or losses.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out in page 32 of this Annual Report.

## Audit Committee

The Audit Committee conducts review of the Internal Audit Function in terms of its authority, resources and scope as defined in the Internal Audit Charter adopted by the Group.

The minutes of the Audit Committee meetings are tabled to the Board for perusal and for action where appropriate. Highlights of activities carried out by the Audit Committee during the year are detailed in the Audit Committee Report on pages 33 to 37.

## Relationship with Auditors

The Company, through its Audit Committee, has established a transparent and appropriate relationship with the Company's auditors, both internal and external. It is the policy of the Audit Committee to meet the external auditors at least once a year to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the Executive Directors and the Management whenever deemed necessary.

The roles of both the internal and external auditors are further described in the Audit Committee Report.

## RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

### Communication with Shareholders

The Board is committed to providing shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities. The Company has regularly communicated with shareholders and investors in conformity with the disclosure requirements.

At each Annual General Meeting, the Managing Director presents to the shareholders a comprehensive review of the financial performance of the Group for the financial year and outlines the prospects of the Group for the subsequent financial year. Shareholders are encouraged to participate in the question and answer session and to raise any questions relating to the proposed resolutions as well as Group's business operations and affairs.

The Group ensures that timely disclosures are made to the public with regard to the Group's corporate proposals, financial results and other required announcements.

Up-to-date corporate and financial information on the Group are also made available to the public through the Group's website at [www.amcorp.com.my](http://www.amcorp.com.my).

### Investor Relations

The Group values dialogues with its shareholders and investors. Briefings and open discussions with analysts and fund managers, both local and overseas, are organised on a regular basis to update the investors on the Group's operations and financial results.

Primary contact for investor relations matters:

**Johnson Yap Choon Seng**  
*Chief Financial Officer/  
Company Secretary*

Contact Details  
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E-mail: [IR@amcorp.com.my](mailto:IR@amcorp.com.my)

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated May 31, 2006.