

Statement on Corporate Governance

The Malaysian Code on Corporate Governance (the 'Code') sets out the principles and best practices on structures and processes used to direct and manage the business and affairs of the Company towards enhancing corporate accountability with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Group.

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the year ended 31 December 2009.

Board of Directors

Board Responsibilities

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group's overall strategic directions as well as development and control of the Group.

The Board reviews and approves the short-term budgets and long-term strategies for the Group. In addition, all acquisitions, major capital expenditure and disposal of investments will be approved by the Board. The Board has established the authority limits for Management to manage the business of the Group.

The Directors, collectively, have a wide range of relevant experience to enable them to discharge their responsibilities effectively.

The Board, together with the Audit and Risk Management Committee, reviews internal control and risk management systems within the organisation in ensuring the custody and effective and efficient utilisation of Group assets. The Board is chaired by a Non-Independent Non-Executive Chairman and the management of the Group lies with the Group Managing Director. There is a division of responsibility between the Chairman and Group Managing Director to ensure a balance of power and authority. The roles of the Chairman and Group Managing Director are separated and clearly defined.

As part of good corporate governance, the Chairman is responsible for ensuring board effectiveness and conduct. He encourages healthy debates on issues raised at meetings and gives opportunity to directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Group Managing Director oversees the day-to-day running of the business including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Group's business to the Board. The Group Managing Director's in-depth and intimate knowledge of the Group's affairs contributes significantly towards the direction of the Group to achieve its goals and objectives.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies and public service. The Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest not only of the Group, but also of minority shareholders, employees and the business communities in which the Group conducts its business.

The Company has in place a succession planning programme which inter alia includes appointing, training, fixing of compensation and replacing senior management of the Group.

Board Composition and Balance

The Group considers that its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The presence of Independent Non-Executive Directors is particularly important in corporate accountability. The Independent Non-Executive Directors provide unbiased and independent views, advice and judgment to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the Group, shareholders, employees, customers and the business communities in which the Group conducts its business. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained.

At the beginning of the financial year, the Company had nine (9) Directors on its Board of whom four (4) are independent directors.

There were changes to the Board membership with one (1) new appointment and two (2) resignations. To date, there are eight (8) Directors of whom three (3) are Independent. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times. In accordance with the requirement of the Code, Dato' Kalsom binti Abdul Rahman has been appointed the Senior Independent Non-Executive Director of the Company to replace Dato' N. Sadasivan who has resigned from the Board with effect from 31 December 2009. A brief profile of each Director is presented on pages 24 to 31 of the Annual Report.

Appointment and Re-Election of Directors

Appointment

The Board has established a formal and transparent policy on the appointment and selection process of its members which is consistent with the Company's Articles of Association.

The proposed appointment of a new member to the Board as well as the proposed re-appointment and re-election of Directors seeking re-election at the Annual General Meeting are recommended by the Nomination and Remuneration Committee (NRC) to the Board for their approval.

The Board is constantly reviewing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each individual director. All assessments and evaluations carried out by the NRC in the discharge of all its functions are properly documented.

New members of the Board undergo an in-house company training programme to familiarise themselves with the operations of the Group.

Re-election

The Company's Articles of Association provide that at least one-third (1/3) of the Board are subject to retirement by rotation at each Annual General Meeting provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandates. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of 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.

Directors Training

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility.

All Board members have attended the Mandatory Accreditation Programme (MAP) as prescribed by the Bursa Malaysia Listing Requirements.

The Directors are regularly informed of industry-specific conventions to enable them to understand the industries within which the Group operates. The Company has initiated its own comprehensive and formal training programme tailored to the needs of the Board of Directors. During the year, the Directors have attended the Continuing Education Programme on "Malaysia - The Global Halal Hub" organised by the Company and facilitated by industry experts.

In addition to the in-house seminars, Directors are also encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to further enhance their skills and knowledge as well as update themselves on new developments in the business environment. Newly appointed Directors also underwent programmes such as plant visits and briefings to familiarise themselves with each of the business divisions.

Structure and Process

Board Meetings

Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four (4) Board meetings are held during the year. Additional meetings are held as and when required.

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by Board members.

During the financial year, seven (7) Board Meetings were held where the Board deliberated and considered a variety of matters including the Company's financial results, the business plan, direction and potential acquisitions.

Board Meetings (cont.)

Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Directors and Status	No. of Meetings Attended
Tan Sri Ab. Rahman bin Omar Chairman, Non-Independent Non-Executive Director	7/7
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin Group Managing Director	7/7
Mr. E. Sreesanthan Non-Independent Non-Executive Director	5/7
Dato' Kalsom binti Abdul Rahman (appointed as Senior Independent Non- Executive Director w.e.f. 25/02/2010) Senior Independent Non-Executive Director	6/7
Datuk Dr. Saharan bin Haji Anang (appointed w.e.f. 01/01/2009) Independent Non-Executive Director	7/7
En. Abdul Rahim bin Abdul Hamid Independent Non-Executive Director	7/7
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Non-Independent Non-Executive Director	7/7
Dato' Mohd. Nizam bin Zainordin (appointed w.e.f. 11/05/2009) Non-Independent Non-Executive Director	5/5
Dato' N. Sadasivan (resigned w.e.f. 31/12/2009) Senior Independent Non-Executive Director	7/7
Datin Paduka Jamiah binti Abdul Hamid (resigned w.e.f. 05/05/2009) Non-Independent Non-Executive Director	0/2

Relationship Between Board And Senior Management

The Chairman, together with the Board, reviews and approves the strategic objectives and Key Performance Indicators for the Group Managing Director.

The Group Managing Director is responsible for overseeing the businesses as well as coordinating and implementing corporate strategies.

Quality/Supply of Information

Board papers are prepared for all agenda items to ensure relevant information is provided to assist decision making.

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. In line with this, the Company has established a board paper rating process whereby all board papers tabled at Board Meetings will be rated based on contents and presentation to ensure sufficient information are provided to the Board members for them to make an informed decision.

Access to Information/Advice

All Directors have the same right of access to all information within the Group and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the statutory register at the registered office of the Company and are accessible to all Directors. The Company also provides a platform for dialogue between the Board and the Directors of each Division either at Board meetings or during the business units visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. The Directors also have access to the advice and services of the Company Secretaries who are available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Group.

Board Committees

The Board of Directors delegates specific responsibilities to the Board Committees namely the Nomination and Remuneration Committee, Audit and Risk Management Committee, Finance and Investment Committee and Government-Linked Companies Transformation Committee.

All committees have their terms of reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board.

The terms of reference, composition and activities of the respective committees are stated in their respective reports.

Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.

The Nomination and Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the Executive Director. The Executive Director abstains from the deliberations and voting decisions in respect of their remuneration. All Non-Executive Directors are paid directors' remuneration for Board and Committee meetings. In addition, they are paid a meeting allowance for attendance at each Board and Committee meeting. The directors' fees are approved by the Company at the Annual General Meeting in accordance with the Articles of Association.

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2009 is as follows:

	Category of Director	
	Group Managing Director (RM)	Non-Executive Directors (RM)
Fees	-	460,000.00
Allowance	-	90,400.00
Salaries and Bonus	933,100.00	-
Other Emoluments	157,397.20	-
Benefits-in-Kind	180,335.83	-
Total	1,270,833.03	550,400.00
Range of Remuneration	Executive	Non-Executive
RM1-RM50,000		
RM50,001 to RM100,000	-	8
RM250,000 to RM300,000	-	-
RM700,000 to RM750,000	-	-
RM750,001 to RM800,000	-	-
RM800,001 and above	1	-

Accountability And Audit

Financial Reporting

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position and prospects. In this regard, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965 and approved Accounting Standards in Malaysia. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control

The Board recognises the importance of maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets.

The Statement on Internal Control on page 61 of the Annual Report provides an overview on the state of internal control within the Group.

Audit and Risk Management Committee

The details are shown in the accompanying report of the Audit and Risk Management Committee on pages 52 to 54.

Relationship with the External Auditors

The Group has always maintained a close, transparent and professional relationship with its External Auditors i.e Messrs KPMG in seeking professional advice and ensuring compliance with the accounting standards in Malaysia as well as the auditors' professional requirements. Messrs KPMG has continued to report to shareholders of the Company on its opinion which is included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The external auditors also highlighted to the Audit and Risk Management Committee and Board of Directors on matters that require their attention. The Audit and Risk Management Committee held two meetings with the External Auditors without the presence of the management during the financial year under review.

Internal Audit

The Group has established an internal audit function which is performed in-house by the Group Internal Audit Department that reports to the Audit and Risk Management Committee.

The Audit and Risk Management Committee reviews and approves the audit plan which identifies the scope of work for the year.

Directors' Responsibilities in relation to the preparation of the Audited Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial period and of the results and cash flow of the Group and the Company for the financial period.

In preparing the financial statements, the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;
- Ensured that applicable accounting standards have been followed; and
- Prepared the financial statements on a going concern basis.

The Directors have prepared the annual financial statements in compliance with Companies Act, 1965.

Whistle-Blowing Policy

As part of best practices in good corporate governance, the Group has established a "Whistle-Blowing" policy.

This policy is to encourage employees to report any major concerns over any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment. In this respect, the policy makes it clear that any such concern can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

Shareholders

The Company is committed to providing sufficient information to shareholders to allow them to effectively evaluate the performance of the Company.

The Annual General Meeting (AGM) provides a forum for dialogue with shareholders. Members of the Board, the Group's Senior Management, as well as the Company's auditors will be present to answer questions about the Company's affairs. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Extraordinary General Meetings (EGM) are held as and when required.

In addition, a press conference is normally held after the AGM at which members of the press are encouraged to ask the Chairman and Group Managing Director questions on a range of topics relevant to the Group.

Shareholders (cont.)

Other avenues whereby shareholders have access to company data are through quarterly filing of financial data and the Company's website at www.ccm.com.my. The full financial results and the Company's announcements/press releases can also be obtained from Bursa Malaysia's website.

Investor Relations

The Company also holds regular briefings for institutional investors to explain the Group's strategies and major developments, all within the legal and regulatory framework in respect of the release of information.

Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on business activities, the Group strives to improve the contents of the Annual Report in line with the developments in corporate governance practices.

The Company's Annual Report can be obtained by accessing the Company's website at www.ccm.com.my.

Announcement of Quarterly Results for the Financial Year Ended 31 December 2009

The Directors view the timely announcement of the quarterly financial results as vital to the dissemination of information to the shareholders' and investors' community. The Company has consistently announced its quarterly results before Bursa Malaysia's deadlines as indicated below:

Announcement of Quarterly Results 2009	Date of Announcement
1st Quarter	27 May 2009
2nd Quarter	27 August 2009
3rd Quarter	24 November 2009
4th Quarter	25 February 2010

Continuing Disclosure of Material Information

The Group has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Group has consistently adopted and applied the principles of best practices in Corporate Disclosure Policy and Procedures as laid down by Bursa Malaysia.

Compliance to Code

The Group has in all material respects complied with the Code of Corporate Governance throughout the financial year ended 31 December 2009. This statement is made in accordance with a resolution of the Board of Directors dated 25 February 2010.