



FORESI

A photograph of a woman with long dark hair smiling as she reads a book to a young girl. The girl is looking down at the book. The book is titled "Balinese Gardens". A blue triangle on the left side of the image contains the text "GHT".

GHT

FORESIGHT

Balinese
Gardens

Statement on Corporate Governance

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 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 shareholder value and the performance of the Group.

The Board is pleased to report on the main corporate governance practices of the Group for the year ended 31 December 2006.

BOARD OF DIRECTORS

Board Responsibilities

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 would have to 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 Committee, reviews internal control and risk management systems within the organisation in ensuring the custody and effective and efficient utilisation of Group assets.

There is a division of responsibility between the Chairman and Group Managing Director to ensure a balance of power and authority. The Board is chaired by a Non-Independent Non-Executive Chairman and the management of the Group lies with the Group Managing Director.

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.

Composition of Board

The Board, as at 31 December 2006, consists of 9 directors, of whom one (1) is an Executive Director, and four (4) out of the eight (8) Non-Executive Directors are independent. A brief profile of each Director is presented on pages 8 to 16 of the Annual Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment

The Board appoints its members through a formal process, 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 Director seeking re-election at the Annual General Meeting are recommended by the Nomination and Remuneration Committee (NRC) to the Board for approval.

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

Re-election

In accordance with the Articles of Association of the Company, one-third of the Directors will stand for re-election at each Annual General Meeting.

The Articles also provide that all Directors who are appointed by the Board in the course of the year are subject to re-election by shareholders at the next Annual General Meeting after their appointment.

Directors Training

All Board members have attended the Mandatory Accreditation Programme.

The Directors are regularly informed of industry-specific conventions to enable them to understand the industries within which the Group operates.

During the year, the Directors have attended the Continuing Education Training Programme and in-house training programme organized by the Company on 'Green Book – Enhancing Board Effectiveness' to keep them updated on the requirements of the GLC Transformation programme with respect to board effectiveness.

Newly appointed Directors also undergo programmes such as plant visit and briefing, to familiarise them 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 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.

The attendance record of each member during the year is as follows:-

	Number of Board Meetings	
	Held	Attended
Tan Sri Ab Rahman bin Omar	6	6
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin	6	6
Dato' N. Sadasivan	6	5
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	6	6
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil	6	5
E. Sreesanthan	6	5
Dato' Kalsom binti Abdul Rahman	6	4
Jamiah binti Abdul Hamid (appointed 03/04/2006)	5	4
Abdul Rahim bin Abdul Hamid (appointed 03/04/2006)	5	5
Tan Sri Dato' David Chiu (resigned 18/04/2006)	N/A	N/A
Paisol bin Ahmad (resigned 03/04/2006)	1	1

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.

Access to Information/Advice

All Directors, have unrestricted access to any information pertaining to the Company. Formal procedures have been established to ensure that Directors, collectively and in their individual capacity, have the ability to seek independent advice at the Company's expense. All Directors have access to the administration and resources of the Company Secretary in carrying out their duties.

Board Committees

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

All committees have their terms of reference approved by the Board 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 Executive Directors is reviewed by the Nomination & Remuneration Committee and submitted by the Committee to the Board for approval.

All Non-Executive Directors are paid directors' fees 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 the Association.

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2006 is as follows:-

Category of Director	Fees	Allowance	Salaries	Benefits-in-Kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors	–	–	465	180	645
Non-Executive Directors	467	58	–	–	525

Range of Remuneration	Executive	Non-Executive
RM1 to RM50,000	–	4
RM50,001 to RM100,000	–	6
RM250,000 to RM300,000	–	–
RM700,000 to RM750,000	–	–
RM750,001 to RM800,000	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 Statement on Internal Control on page 71 of the Annual Report provides an overview on the state of internal control within the Group.

Risk Management

The report on Risk Management on page 69 to 70 of the Annual Report describes the structure and process of risk management in the Group.

Audit Committee

The details are shown in the accompanying report of the Audit Committee on pages 64 and 65.

Internal Audit

The Group has established an Internal Audit Division that reports to the Audit Committee.

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

The Group Internal Auditor reports to the Audit Committee.

Whistle-blowing Policy

As part of best practices in good corporate governance, the Group 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 conducts, financial malpractices 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 victimization, 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 shareholders to ask the Board of Directors questions about the Company's affairs.

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.

Other avenues whereby shareholders have access to company data are through quarterly filing of financial data and access via the Company's website at www.ccm.com.my.

Investors Relations

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

COMPLIANCE TO CODE

The Group has in all material respects complied with the Code of Corporate Governance throughout the financial year ended 31 December 2006.