

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of AIC Group.

Set out below is a statement of how the Group has applied the principle of the Malaysian Code on Corporate Governance.

## SECTION 1 : DIRECTORS

### THE BOARD OF DIRECTORS

An effective Board leads and controls the Group. The Board meets at least four times a year, with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board of Directors held six (6) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:-

Name	Meetings attended
Yeow Ewe Chuan ( <i>appointed on 20 April 2006</i> )	3/3
Yap Chi Keong ( <i>appointed on 1 May 2006</i> )	3/3
Datuk Goh Tian Chuan ( <i>appointed on 15 June 2006</i> )	2/2
Yahya Bin Razali ( <i>appointed on 15 June 2006</i> )	2/2
Mohamad Ariff Bin Puteh ( <i>resigned on 31 March 2007</i> )	5/6
Kenneth Vun @ Vun Yun Liun ( <i>appointed on 1 August 2006 and resigned on 4 October 2006</i> )	1/1
Prof. Madya Dato' Haji Mohd Mokhtar Bin Haji Shafii ( <i>resigned on 31 July 2006</i> )	4/4
Datuk Haji Sarip Bin Hamid ( <i>resigned on 15 June 2006</i> )	4/4
Md Yusof Bin Hussin ( <i>resigned on 30 April 2006</i> )	3/3
Mamat @ Mohamed Bin Hussain ( <i>resigned on 17 April 2006</i> )	2/2

The Board has delegated specific responsibilities to three subcommittees, namely Audit Committee, Nomination Committee and Remuneration Committee. All committees have written terms of reference and procedures, and the Board receives reports of their proceedings and deliberations. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibilities for the final decision on all matters, however, lie with the entire Board.

### BOARD BALANCE

The Board currently has four members, comprising of two (2) Executive Directors and two (2) Independent Non-Executive Directors. Together, the Directors bring a wide range of business and financial experience relevant to the Group. A brief description of the background of each Director is presented on page 5.

Mohamad Ariff Bin Puteh was the Executive Chairman of the Board while Yeow Ewe Chuan acts as the Executive Director, Group Chief Executive Officer. There was a clear division of responsibility between these two roles to ensure balance of power and authority. Mohamad Ariff Bin Puteh resigned on 31 March 2007 and the chairman position is currently vacant. Yap Chi Keong, the Audit Committee Chairman, is the Independent Non-Executive Director to whom concerns may be conveyed.

The Company considers that its complement of non-executive Directors provide an effective Board with a mix of knowledge and broad business and commercial experience. This balance is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account of the long term interests of the Company. The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SECTION 1 : DIRECTORS (cont'd)

### SUPPLY OF INFORMATION

All Directors review board papers prior to the Board meeting. These papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The board paper includes, among others, the following details:-

- Quarterly performance report of the Group
- Major operational and financial issues
- Business forecasts and outlook
- Material legal matters
- Information on related party transactions
- Circular resolutions passed

In addition, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments and changes to management and control structure of the Group, including key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretary and take independent professional advice, if necessary, at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Board.

### AUDIT COMMITTEE

The Audit Committee report is presented on pages 17 to 20 of this annual report.

### APPOINTMENTS TO THE BOARD

The Malaysian Code on Corporate Governance endorses, as good practice, a formal procedure for appointments to the Board, with a Nomination Committee making recommendations to the Board. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that these responsibilities be delegated to a committee.

New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved by the Board. The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory requirements are met.

### NOMINATION COMMITTEE

The Nomination Committee consists entirely of Non-Executive Director, all of whom are independent, and the members are as follows:-

- Yahya Bin Razali (*Chairman*) (*Appointed on 15 June 2006*)
- Yap Chi Keong
- Prof. Madya Dato' Haji Mohd Mokhtar Bin Haji Shafii (*Resigned on 31 July 2006*)
- Datuk Haji Sarip Bin Hamid (*Resigned on 15 June 2006*)

The primary objectives of the Committee are to evaluate suitability of candidates and make recommendations to the Board on all new Board appointments. The Committee also is empowered to assess the effectiveness of the Board as a whole.

In year 2006 the Committee had a total of three (3) meetings and which were attended by majority of the members.



### SECTION 1 : DIRECTORS (cont'd)

#### DIRECTORS' TRAINING

As an integral element of the process of appointing new directors, the Nomination Committee ensures that there is appropriate orientation and education program for new Board members. This is supplemented by visits to key locations and meetings with key senior executives.

All Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Directors will continue to evaluate the training needed and to attend other relevant training programmes to keep abreast with developments in the market place, particularly on relevant new laws and regulations and changing commercial risks.

#### RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting ("AGM"). The following directors are subject to re-election in this forthcoming AGM pursuant to Article 101 and Article 106 of the Company's Articles of Association:-

- Yeow Ewe Chuan (Article 101)
- Datuk Goh Tian Chuan (Article 106)
- Yahya Bin Razali (Article 106)

Directors over seventy years of age shall hold office until the next AGM but shall be eligible for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## SECTION 2 - DIRECTORS' REMUNERATION

### REMUNERATION COMMITTEE

The Remuneration Committee comprises of two (2) Independent Non-Executive Directors and an Executive Director. The committee members are as follows:-

- Yap Chi Keong (*Chairman*)
- Yahya Bin Razali (*Appointed on 15 June 2006*)
- Datuk Goh Tian Chuan (*Appointed on 15 June 2006*)
- Datuk Haji Sarip Bin Hamid (*Resigned on 15 June 2006*)
- Prof. Madya Dato' Haji Mohd Mokhtar Bin Haji Shafii (*Resigned on 31 July 2006*)

The Committee is responsible to recommend to the Board a remuneration framework for Directors with the objective to ensure that the Company attracts and retains the Director needed to run the Group successfully. It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors with individual Directors abstaining from decisions in respect of their remuneration.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole with individual Directors abstaining from decision in respect of their remuneration.

The Committee had one (1) meeting during the year, which was attended by all of the members.

### DIRECTORS' REMUNERATION

The number of directors of the Company whose remuneration and fees, including fees paid to companies in which Directors have interest, fall in the following band:-

		Executive		Non-Executive	
		2006	2005	2006	2005
RM	350,000 – RM 399,000	-	1	-	-
RM	250,000 – RM 299,000	1	-	-	-
RM	200,000 – RM 249,000	1	-	-	-
RM	50,000 – RM 99,000	1	-	-	-
Below RM	50,000	1	-	6	5

The aggregate remuneration of Directors with categorisation into appropriate components are as follows:-

(RM'000)	Executive		Non-Executive	
	2006	2005	2006	2005
Salaries				
- the Company	577	370	-	-
- associated companies	123	-	-	-
Fees				
- the Company	-	-	57 <sup>a</sup>	92
- associated companies	75	25	15	36
Meeting allowances				
- the Company	-	-	11	15
- associated companies	3	9	2	2
Bonuses	-	19	-	-
Benefits-in-kind (based on estimated monetary value)	4	8	4	12

<sup>a</sup> To be approved by the shareholders at the Company's AGM.

The Board has considered disclosure details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the "range disclosure" as required by the listing requirements.

# CORPORATE GOVERNANCE STATEMENT (cont'd)



## SECTION 3 : SHAREHOLDERS

### INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Board acknowledges the importance of communication with the shareholders and investors. Discussions were held between the senior management with the analysts, shareholders and investors throughout the year. Presentations based on permissible disclosures are given to explain the Group's performance, major developments and significant events of the Group. The Group has been making timely announcements to the public with regards to the Group's corporate proposals, financial results, other regulatory announcements as well as information which would be of interest to the investors and members of the public.

In addition, the Group has also established a website at [www.aic.com.my](http://www.aic.com.my) for shareholders and the public to access for information related to the Group.

### AGM

The AGM represents the principal forum for dialogue and interaction with all shareholders of the Company. Shareholders are encouraged to participate in the question and answer session. All Directors, senior management and external auditors are available to respond to the shareholders' questions during the AGM.

## SECTION 4 : ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Board has a responsibility and aims to provide/present a fair, balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly reports to Bursa Malaysia as well as the Message from the Group Chief Executive Officer in the annual report to the shareholders. The Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

### STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the 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 year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:-

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent other irregularities.

### INTERNAL CONTROL

The Statement on Internal Control presented on page 16 provides an overview of the state of internal control within the Group.

### RELATIONSHIP WITH THE AUDITORS

The role of the Audit Committee in relation to the external auditors is described on pages 17 to 20. The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The above statement is made in accordance with the resolution of the Board of Directors dated 20 April 2007.