

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of SMR Technologies Berhad is committed to ensure that good corporate governance is practiced throughout the Group in accordance with the Malaysian Code on Corporate Governance (“the Code”).

The following paragraphs explain how the Group has applied the principles and best practices set out in the Code for the financial year ended 31 December 2008.

## DIRECTORS

### 1. Responsibility

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals, overseeing processes and systems for evaluating the adequacy of internal controls, risk management, financial reporting, succession planning, shareholders communications and compliance with laws and regulations.

Dr. R Palan, being the Chairman and Chief Executive Officer, is primarily responsible for the orderly conduct and working of the Board and the Management team to implementation of Board and business policies. He is accountable to the Board for the profitable operation and development of the Group consistent with the primary aim of maximising long term shareholders’ value.

### 2. Board Balance

The Board currently consist of six (6) members; namely three (3) Executive Directors and three (3) Independent Non-Executive Directors which is in compliance with paragraph 15.02 of the MESDAQ Market Listing Requirements (MMLR) which requires at least two Directors or one-third of the Board of the Company whichever is the higher, to be Independent Directors. The profile of each Director is presented on pages 15 to 18 of this Annual Report.

Part 2 of the Code on Best Practices in Corporate Governance states that there should be clearly accepted division of responsibilities at the head of the Company and where the roles of the Chairman and Chief Executive Officer are combined, there should be a strong independent element on the Board.

The roles of the Chairman and Chief Executive Officer, held by Dr. Palan, is combined as the Board is confident that Dr. Palan, who is distinguished, respected and experienced in the industry is able to contribute considerable experience towards accomplishment of the Group’s objectives.

The Directors with their different backgrounds and specialisation, collectively bring with them a wide range of experience and expertise. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The Independent Non-Executive Directors play important roles by exercising independent judgement and objective participation in the proceedings and decision-making processes of the Board. As such, there is a proper balance in the Board because the presence of Independent Non-Executive Directors of the caliber necessary to carry sufficient weight in Board decisions. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals, who have proper understanding and competence to deal with the current and emerging business issues.

The Code recommends the appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed and Mr. Leow Nan Chye has been nominated to fulfill this role.

# STATEMENT ON CORPORATE GOVERNANCE [cont'd]

## 3. Board Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year, the Board met six (6) times where it deliberated upon and considered a variety of matters including the Group's financial results, strategic and major investment decisions. All Directors fulfilled the Bursa Malaysia Securities Berhad ("Bursa Securities") requirement in relation to their attendance at Board Meetings.

Minutes of each Board meeting are circulated to each Board member prior to confirmation of the minutes in the next Board meeting.

Details of the Directors' attendance at meetings during the financial year 2008 are summarised as follows:

### Board Meetings Attended during Tenure in Office

Dr. R. Palan	Chairman & Chief Executive Officer	6/6
Mrs. Palan	Executive Director	5/6
Dr. Nadarajah	Executive Director	6/6
Tuan Haji Ishak Bin Hashim	Independent Non-Executive Director	6/6
Mr. Leow Nan Chye	Independent Non-Executive Director	6/6
Mr. Venkisteswaran Sankar <sup>(1)</sup>	Independent Non-Executive Director	3/3
Dato' Veerasingam Suppiah <sup>(2)</sup>	Independent Non-Executive Director	3/3

<sup>(1)</sup> From his appointment date on 2 May 2008.

<sup>(2)</sup> From his appointment date on 2 May 2008. Dato' Veera resigned from the Board on 11 March 2009.

## 4. Supply of Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, the Directors have full and unrestricted access to all information pertaining to the Group's business and affairs to enable them to discharge their duties.

All Directors are provided with notices and agenda of meetings prior to the Board meeting. In addition, all Directors have access to the services of the Company Secretary, management and other independent advisors, where necessary at the Group's expenses.

## 5. Appointment and Re-Election of Directors

The Board is appointed in a formal and transparent practice as endorsed by the Code. The Nomination Committee will make recommendations or the Board will go through this entire process on its own. The Company Secretary will ensure that all appointments are properly made and that all legal and regulatory obligations are met.

The Company's Articles of Association provides that at the annual general meeting in every year, at least one-third or the number nearest to one-third of the Board shall retire from office and be eligible for re-election and all directors shall retire from office once in every three (3) years but shall be eligible for re-election. The election of each Director is voted on separately.

## 6. Directors' Training

Directors are provided with ongoing education and training to keep abreast with the relevant changes. To-date, all Directors have completed the Mandatory Accreditation Programme (MAP) conducted by Bursa Securities. Throughout the financial year under review, the Directors attended various conferences, seminars and programmes, including speaking engagements, to enhance their knowledge and expertise. In this regard, the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

# STATEMENT ON CORPORATE GOVERNANCE [cont'd]

## BOARD COMMITTEES

The Board has delegated certain responsibilities to Board Committees which operate within defined terms of reference. The Board Committee includes the Audit Committee, Nomination Committee and Remuneration Committee. The respective Committee reports to the Board on matters considered and their recommendation thereon. The ultimate responsibility for the final decision on all matters however, lies with the Board.

### 1. Audit Committee

The Audit Committee is chaired by Mr. Leow Nan Chye, an Independent Non-Executive Director. The Committee plays an active role in assisting the Board in discharging its governance responsibilities. The composition of the Committee, its terms of reference, attendance of meetings and a summary of its activities are set out on pages 28 to 30 of the Annual Report.

### 2. Nomination Committee

The Nomination Committee comprises two (2) Non-Executive Directors, all whom are independent as follows :

Tuan Haji Ishak Bin Hashim  
*(Chairman/Independent Non-Executive Director)*

Mr Leow Nan Chye  
*(Member/Independent Non-Executive Director)*

#### **Objectives**

The Nomination Committee assist the Board of Directors in their responsibilities in nominating new nominees to the Board and also to assess Directors on an on-going basis.

#### **Composition of Members**

The Board of Directors shall elect the Nomination Committee members from amongst themselves, composed exclusively of Non-Executive directors, a majority of whom are independent.

#### **Chairman**

The Chairman of the Nomination Committee shall be elected from amongst the Nomination Committee members. The Chairman of the Committee shall be approved by the Board of Directors.

#### **Meetings**

The Nomination Committee may meet together for the dispatch of business, adjourn or other wise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Secretary shall on the requisition of the members of the Nomination Committee summon a meeting of the Nomination Committee except in the case of an emergency, reasonable notice of every Nomination Committee meeting shall be given in writing.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

This Committee held one (1) meeting during the financial year ended 31 December 2008 and all members attended.

#### **Quorum**

A quorum shall consist of two (2) members, one of whom shall be the Chairman of the Committee.

# STATEMENT ON CORPORATE GOVERNANCE [cont'd]

## 2. Nomination Committee [cont'd]

### **Authority**

The Nomination Committee shall, in accordance with a procedure or process to be determined and established by the Board of Directors and at the expense of the Company,

- (a) annually review the required skills and experience and other qualities, including core competencies which non-executive and executive directors should have;
- (b) assess on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and assessing the contribution of each individual Director; and
- (c) be entitled to the services of a company secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirement of the Bursa Malaysia or other regulatory requirements.

### **Duties and Responsibilities**

The duties and responsibilities of the Nomination Committee are as follows:-

- To recommend to the Board of Directors, candidates for all directorship to be filled by the shareholders or the Board of Directors.
- To consider, in making its recommendations, candidates for directorships proposed by the Chairman and CEO and, within the bounds of practicability, by any other senior executive or any Director or shareholder.
- To recommend to the Board of Directors the nominees to fill in the seats on the Board Committees.
- To assess the effectiveness of the Board of Directors as a whole and each individual Directors/committees of the Board.
- To act in line with the directors of the Board of Directors.
- To consider and examine such other matters as the Nomination Committee considers appropriate.

## 3. Remuneration Committee

The Remuneration Committee comprises two (2) Non-Executive Directors and one (1) Executive Director, as follows:

Tuan Haji Ishak Bin Hashim  
(Chairman/Independent Non-Executive Director)

Mr. Leow Nan Chye  
(Member/Independent Non-Executive Director)

Mrs. Palan  
(Member/Executive Director)

### **Objectives**

The principal objective of the Remuneration Committee is to assist the Board of Directors in their responsibilities in assessing the remuneration packages of the Executive Directors. The Executive Directors do not participate in the decisions on their own remuneration.

### **Composition of Members**

The Board of Directors shall elect the Remuneration Committee members from amongst themselves, composed wholly or mainly of independent Non-Executive Directors.

## STATEMENT ON CORPORATE GOVERNANCE [cont'd]

### 3. Remuneration Committee [cont'd]

#### **Chairman**

The Chairman of the Remuneration Committee shall be elected from amongst the Remuneration Committee members and shall be approved by the Board of Directors.

#### **Meetings**

The Remuneration Committee may meet together for the dispatch of business, adjourn or otherwise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Secretary shall on the requisition of the members of the Remuneration Committee summon a meeting of the Remuneration Committee except in the case of an emergency, reasonable notice of every Remuneration Committee meeting shall be given in writing.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

The Company has held one meeting during the financial year ended 31 December 2008 and all members attended.

#### **Quorum**

A quorum shall consist of two (2) members, one of whom shall be the Chairman of the Committee.

#### **Authority**

The Remuneration Committee shall, in accordance with a formal and transparent procedure or process or policy on Executive Directors' remuneration packages to be determined and established by the Board of Directors and at the expense of the Company,

- (a) review, assess and recommend to the Board of Directors the remuneration packages of the Executive Directors in all forms, with other independent professional advice or outside advice as necessary.
- (b) shall be entitled to the service of a company secretary who must ensure that all decisions made on the remuneration packages of the Executive Directors be properly recorded and minuted in the minutes book.

#### **Duties and Responsibilities**

The duties and responsibilities of the Remuneration Committee are as follows:-

- To review and assess the remuneration packages of the Executive Directors in all forms, with or without other independent professional advice or other outside advice.
- To ensure the levels of remuneration be sufficiently attractive and be able to retain directors needed to run the Company successfully.
- To structure the component parts of remuneration so as to link rewards to corporate and individual performance and to assess the needs of the Company for talent at board level at a particular time.
- To recommend to the Board of Directors the remuneration packages of the Executive Directors.
- To act in line with the directors of the Board of Directors; and
- To consider and examine such other matters as the Remuneration Committee considers appropriate.

These terms of reference may change from time to time to fulfill such other requirements as prescribed by the Bursa Malaysia.

# STATEMENT ON CORPORATE GOVERNANCE [cont'd]

## DIRECTORS' REMUNERATION

The determination of the remuneration of the Executive Directors and Non-Executive Directors is a matter decided by the Board as a whole, with the Director concerned abstaining from participating in decision in respect of the individual remuneration.

An analysis of the aggregate Directors' remuneration paid for Directors of the Group for the year ended 31 December 2008 is set out below:

	Salaries & Other Emoluments RM'000	Fees RM'000	Total RM'000
Executive Directors	1,314	41	1,355
Non-Executive Directors	25	72	97

An analysis of the number of Directors of the Company whose remuneration falls under each range is set out below:-

Remuneration band	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	4
RM100,001 – RM150,000	2	-
RM250,001 – RM300,000	1	-

## SHAREHOLDERS

The Board values constant dialogue and is committed to clear communication with its shareholders and investors. In this respect, as part of the Group's investor relations programme, discussions and dialogues are held with fund managers and analysts to convey information about the Group's performance and other matters affecting shareholders' interests. Presentations based on permissible disclosures are made to explain the Group's performance and major development plans. However, information that are considered price-sensitive or that may be regarded as undisclosed material information is not disclosed in these sessions until after the prescribed announcements to Bursa Securities has been made. Annual reports, announcements and circulars to Bursa Securities, quarterly financial results and press releases also provide shareholders and investors with an overview of the Group's performance.

An important forum for communication and dialogue with the shareholders is through the Annual General Meetings ("AGM"), whereby shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on resolutions. The Annual Report and Notice of Meetings are forwarded to the shareholders at least twenty-one (21) days before the date of the meeting.

The Group has also participated in the Malaysian Investor Relations Association (MIRA) and CMDF-Bursa Research Scheme II (CBRS II) programmes and there is an investors relation section in its Group website at <http://www.smrhgroup.com> where investors and shareholders can access for information.

## ACCOUNTABILITY AND AUDIT

### 1. Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospect at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman's statement in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of financial reporting.

The Statement by Directors made pursuant to Section 169 of the Companies Act, 1965 is set out on Page 33 in this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE [cont'd]

## ACCOUNTABILITY AND AUDIT [cont'd]

### 2. Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Directors are required by The Companies Act, 1965 to prepare financial statements for each financial year which are drawn up in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965 which gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year. In preparing the financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

### 3. Relationship with the External Auditors

The Board through the Audit Committee has established a formal and transparent professional relationship with the external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report. The Audit Committee met the External Auditors to discuss the external audit findings, without any Executive Directors being present.

### 4. Internal Controls

Your Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls.

The Audit Committee work closely with the management to regularly monitor the adequacy and integrity of its system of internal controls.

The Statement on Internal Control furnished on pages 31 and 32 of the Annual Report provides an overview on the state of internal controls within the Group.

### Statement of Compliance with Best Practices

The Board is satisfied that that the Company has, in all material aspects complied with the best practices set of the Code as at 31 December 2008.