

# CORPORATE GOVERNANCE

## INTRODUCTION

The Board appreciates the importance of good corporate governance in developing sustainable business growth also acknowledges its role in protecting and enhancing shareholder's value. The Board is further committed to ensure that integrity, transparency, professionalism and accountability are practised throughout the Group.

The Board supports the principles and best practices of good governance as set out in the Malaysian Code on Corporate Governance (the "Code") and acknowledges that adopting high standards of corporate governance within the Group and among its subsidiaries is vital to safeguard its stakeholder's interests as well as enhancing its shareholders' value.

Below, is a description of the Principles of good corporate governance applied by the Group as set out in the Code.

## A. BOARD OF DIRECTORS

### Composition of the Board

The Board comprises of an Independent Non-Executive Chairman, an Executive Deputy Chairman, a Managing Director, two Executive Directors, a Non-Independent Non-Executive Director and two Independent Non-Executive Directors. Furthermore, the Board comprises at least one third of Independent Non-Executive Directors as required by the Listing Requirements of Bursa Securities. The names and profile of the Directors are stated on the Director's profile page of this Annual Report.

The members of the Board have a wide range of skills and experience which bring a wealth of expertise to the leadership of the Group.

There is no one member of group which dominates the decision making processes that the Board undertakes. Furthermore, the number of Independent Directors ensures that issues of performance, strategy, compliance and resources are discussed and examined in depth in order to take into consideration the long-term interest of the Group's stakeholders. This framework enables the direction of the Group's affair to be firmly in the Board's control.

### Board Responsibilities

The Board has several responsibilities which encompass the following:

- to review and adopt a strategic plan for the Group in order to enhance its growth and profitability;
- to identify risks and ensure the implementation of suitable systems to manage these risks;
- to oversee the Group's business conduct as well as to evaluate if the Group's businesses are properly managed and;
- to review the adequacy and the integrity of the Group's internal control systems, management information systems as well as systems for compliance with applicable laws, regulations, directives, rules and guidelines.

### Board Balance

All Independent Non-Executive Directors are independent of management as well as any business or relationship which could interfere with their decision making therefore enabling them to exercise independent judgement. Furthermore, they have the capacity to fully deliberate and examine strategies proposed by the management, therefore safeguarding the long-term interest of the Group's stakeholders. In addition, the roles of the Independent Non-Executive Chairman, the Executive Deputy Chairman and the Managing Director are separate as well as clearly defined in order to uphold and maintain the balance of authority and power.

### Board Meetings and Supply of Information to the Board

The Board is scheduled to meet quarterly with additional meetings to be convened when urgent matter need to be discussed and approved in between these scheduled meetings. Sufficient notice is given to the Board prior to the meeting in order for them to be present.

The board papers are disseminated to all Directors before the meeting, to give sufficient time to them to review and prepare for the meeting. The proceedings are minuted by the Company Secretary and thereafter confirmed by the Chairman of the meeting. The Directors have access to the Company Secretary and external independent experts who may be engaged at the Group's expense to seek advice and services.

The current Board Members were appointed on 28 December 2010. The Board had its first meeting on the 21 February 2011.

During the financial year, the Board resolved the Group's matters through Circular Resolutions.

### Audit Committee

The Audit Committee has the Board's authority to:

- investigate matters arising;
- exercise its full responsibility within the stipulated terms of reference and be given the necessary resources to do so and;
- be granted full access to information of the Group.

The composition of our Audit Committee is as follows:-

Name	Designation	Directorship
Tuan Haji Ab. Gani Bin Haron	Chairman	Independent Non-Executive
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	Member	Independent Non-Executive
Boey Tak Kong	Member	Independent Non-Executive

The Audit Committee's report is detailed in the Audit Committee Report section of this Annual Report.

### Nomination Committee

The Nomination Committee has the responsibility of proposing new nominees to the Board. Besides, it has the task of assessing the performance of the Directors on an annual basis. However, the decision as to who shall be appointed lies with the entire Board but after taking into consideration the recommendations of the Nomination Committee.

Other than reviewing the performance of the members of the Board, assessing the effectiveness of the Board as an entity as well as the contributions of each individual director, the Nomination Committee reviews the needed skills, experience and core competencies which should be possessed by Non-Executive Directors.

New appointments of member are made through a formal and transparent process which is consistent with the Company's Articles of Association and under the supervision of the Board. The appointment as well as the proposed re-appointment/re-election at the Annual General Meeting ("AGM") is recommended by the Nominating Committee to the Board for its approval. Continuous reviews are made on the effectiveness as a whole, the various Committees of the Board and the contributions of each director.

The composition of our Nomination Committee is as follows:-

Name	Designation	Directorship
Boey Tak Kong	Chairman	Independent Non-Executive
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	Member	Independent Non-Executive
Tuan Haji Ab. Gani Bin Haron	Member	Independent Non-Executive

### Remuneration Committee

The Remuneration Committee is tasked with reviewing the performance of the Executive Directors and then to inform the Board of their recommendations on specific adjustments in remuneration as well as reward payments commensurate the respective contributions of the Executive Directors.

The Remuneration Committee also recommends the framework of fees to the Non-Executive Directors. The remuneration, in this case, reflects the experience, responsibilities shouldered as well as the individuals' non-involvement in discussions and decision making. The Remuneration Committee is responsible for setting the framework of the Executive Directors' remuneration packages and makes recommendations to the Board on the elements of the remuneration and terms of appointment. The Directors concerned will abstain from the deliberations and voting in respect of their remuneration. Nevertheless, it is the responsibility of the Board to approve the remuneration of these Directors.

The composition of our Remuneration Committee is as follows:-

Name	Designation	Directorship
Boey Tak Kong	Chairman	Independent Non-Executive
Tuan Haji Ab. Gani Bin Haron	Member	Independent Non-Executive
Samsul Bin Husin	Member	Deputy Executive Chairman

## CORPORATE GOVERNANCE (cont'd)

### Director's Training

All Directors have completed the "Mandatory Accreditation Programme" as prescribed by the Listing Requirements of Bursa Securities. As part of the Continuous Education Programme to keep up to date with new developments Directors are encouraged to participate in seminars, trainings and conferences organised by the relevant regulatory authorities, professional bodies and commercial entities. The objective is to further enhance their skill, knowledge and expertise as well keep up to date with recent development in the industry in order to discharge their duties as Director's.

During the financial year under review, the Directors attended the following training programme/courses and/or conferences listed below:

<b>Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain</b>	Attended forum and seminar relating to Corporate Governance and Reviewing the Risk and Control on the Quality of Financial Statement and Governance on Islamic Institutions.
<b>Samsul Bin Husin</b>	Attended conference and seminars relating to Director's Duties & Governance and World Congress of Accountants 2010.
<b>Tamil Selvan A/L M.Durairaj</b>	Attended forum and seminars relating to Corporate Governance and World Congress of Accountants 2010. He is an active member of VISTAGE, a Chief Executive Organisation.
<b>Ameer Bin Shaik Mydin</b>	Attended World Economic Islamic forum, Solution Discovery and Sale Connection by IBM.
<b>Ang Hsin Hsien</b>	Attended conference in Century Saga User, World Economic Islamic forum, Solution Discovery and Sale Connection by IBM and HR Management.
<b>Abdul Mushir Bin Che Chik</b>	Attended course on Overview of Islamic Trade Finance and Financial Management for Non Financial Managers.
<b>Tuan Haji Ab Gani Bin Haron</b>	Attended programmes and seminars on Financial Institution Directors Education and Strategic Leadership.
<b>Boey Tak Kong</b>	Attended forum, seminar and symposium relating to Corporate Governance, Corporate Fraud and Director's Continued Education Programme.

### B. DIRECTORS' REMUNERATION

#### Remuneration Policy and Procedures

In order to attract and retain Directors of the high calibre, whom are pivotal in order to successfully manage the Group, the "Code" states that the remuneration of the Directors need to be determined.

The remuneration for the Executive Director links reward to corporate and individual performances. The remuneration of Non-Executive Directors, the remuneration reflects the level of experience and responsibilities they assume during the period reviewed.

As all the three Independent Directors were appointed on 28 December 2010, no remuneration for the financial year was proposed.

Below are the remuneration made available to Executive Directors of the Group during the financial year as shown below:

i. Aggregate Remuneration of Director's categorised into appropriate components:

Company	Salaries	Benefits in Kind	Allowance	Total
Executive Director	952,000	43,800	48,000	1,043,800
<b>Total</b>	<b>952,000</b>	<b>43,800</b>	<b>48,000</b>	<b>1,043,880</b>

ii. Aggregate Remuneration of each Director's:

Executive Director	Salaries	Benefits in Kind	Allowance	Total
Samsul Bin Husin	286,720	17,400	-	304,120
Tamil Selvan a/l Durairaj	286,720	8,800	24,000	319,520
Ameer Bin Shaik Mydin	120,960	6,500	-	127,460
Ang Hsin Hsien	257,600	11,100	24,000	292,700
<b>Total</b>	<b>952,000</b>	<b>43,800</b>	<b>48,000</b>	<b>1,043,800</b>

## C. SHAREHOLDERS

### Dialogue with Investors and Shareholders

It is of utmost importance that the shareholders and investors are informed of the Group's business as well as its corporate developments. The Group recognises this and therefore disseminates information via the Group's annual report, circulars to the shareholders and announcements periodically and adheres to the disclosure requirement of Bursa Securities.

In addition shareholders also have access and may obtain the Group's latest announcements via the Investor Relations in the Group's website at censof.com and the Bursa Securities.

Shareholders are invited to take part in discussions with the Board with regards to the Group's operations and performance during its annual general meeting which serves as the main platform for dialogue between the management and its shareholders. The management, on its part, will note suggestions and comments put forward by the shareholders for consideration.

Tuan Haji Ab Ghani Bin Haron is appointed the Senior Independent Director to whom concerned may be conveyed.

### Annual General Meeting (AGM)

The Annual General Meeting is the prime forum of dialogue with shareholders. The Notice together with a copy of the Group's Annual Report is sent to Bursa Securities and all shareholders at least twenty one (21) days prior to the meeting.

During the AGM, the Board presents the progress and performance of the Group as contained in the Annual Report. Shareholders are encouraged to participate and are given every opportunity to raise questions and seek clarification during the session. The Independent Non-Executive Chairman, Executive Deputy Chairman, the Managing Director and Board members are available to respond to all shareholders' queries.

## D. ACCOUNTABILITY AND AUDIT

### Financial Reporting

It is the responsibility of the Directors to prepare the annual audited accounts. The Board, on its part, ensures that the accounts as well as other financial reports of the Group:

- are prepared in accordance with the Approved Accounting Standards and present a balanced and detailed assessment of the Group's position and prospects;
- the Group's annual report and its quarterly announcements of results aim to give an updated financial performance of the Group from time to time and;
- present a meaningful assessment of all group's performance and prospects to shareholders, investor's and regulatory bodies.

## **CORPORATE GOVERNANCE** (cont'd)

### **Directors' Responsibility Statements**

Under Paragraph 15.26(a) of the Listing Requirement of Bursa Securities, the Boards of Directors are required to issue a statement explaining their responsibilities in the preparation of the annual financial statements.

As stipulated in the Companies Act 1965, the Directors will undertake to prepare the financial statements for each financial year. These financial statements aim to give a true and fair account of the Group's state of affairs as well as their results at the end of each financial year.

In preparing the financial statements, the Directors have:

- (i) Adopted the relevant and appropriate accounting policies consistently;
- (ii) Made judgements and estimates that are reasonable and prudent;
- (iii) Ensured that all applicable accounting standards have been appropriately and consistently adhered to; and
- (iv) Prepared the financial statements on a going concern basis after the Directors have made appropriate enquiries that the Company and the Group have the ability to continue operations in the foreseeable future.

### **Internal Control**

It is the responsibility of the Directors to maintain a sound system of internal control which encompasses not only financial controls but also compliance controls.

The Group is continuously revealing into the adequacy as well as the integrity of its system of internal controls as control can only provide reasonable but not absolute assurance against loss or mis-statements.

Information on the Group's systems of Internal Control is presented in the Statement of Internal Control in this Annual Report.

### **Whistle Blowing Policy**

The company had a structured whistle blowing policy where grievance can be channelled directly to the Chairman of the Audit Committee, Tuan Haji Abdul Gani Bin Haron. His contact details are available in the website for employees and the public to address their issues.

### **Internal Audit**

The internal audit function will be out-sourced to KPMG for the financial year ending 31 December 2011.

### **Relationship with external auditors**

The Board maintains a transparent as well as professional relationship with the external auditors in order to fulfil the set objectives.

## **E. OTHER ADDITIONAL COMPLIANCE INFORMATION**

As required by the Listing Requirement of Bursa Securities.

### **Options, Warrants or Convertible Loan Stocks**

There were no options, warrants or convertible loan stocks issued during the financial year.

### **Share Buybacks**

There were no share buybacks during the financial year.

### **Depository Receipts Programme**

The Company did not sponsor any depository receipts programme during the financial year.

### **Non-Audit Fees**

Non-audit fee paid to external auditors for the financial year was RM 105,500.00.

### Material Contracts

There were no materials contracts entered into by the Company and its subsidiaries during the financial year.

### Imposition of Sanctions/Penalties

There were none as above imposed on the company during the financial year.

### Profit Guarantee

There were no profit guarantee were given during the financial year.

### Variation in Result

There were no material variations in the result for the financial year as compared to the announcement made for the quarter ended 31 December 2010.

### Utilisation of Proceeds

The gross proceeds of RM 21,390,000.00 from the public issue of the Company's shares in conjunction with the listing on the Main Market of Bursa Securities will be utilised as follows:.

Proposed utilisation	RM 000	%	Expected time frame for utilisation
Research and development expenditure	6,000	28.05	Within three (3) years from the date of receipt.
Business expansion and capital expenditure	4,890	22.86	Within three (3) years from the date of receipt.
Working capital	4,000	18.70	Within three (3) years from the date of receipt.
Repayment of bank borrowings	4,000	18.70	Within six (6) years from the date of receipt.
Estimated listing expenses	2,500	11.69	Within six (6) years from the date of receipt.
	<b>21,390</b>	<b>100.00</b>	

Signed on behalf of the Board in accordance with its' resolution dated 28th March 2011.