

# STATEMENT OF CORPORATE GOVERNANCE

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The Board of Directors strongly endorse the importance of good corporate governance in steering the Group's operations and businesses towards safeguarding and protection of shareholders' interests and the financial performance of the Group. The Board is fully committed to ensure the highest standard in corporate governance as articulated in the Principles and Best Practices set out in the Malaysian Code of Corporate Governance 2012 ("the Code") is practised throughout the Group.

## A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Clear Functions of the Board and Management

The Board's principal role is overseeing the overall strategic direction, development and control of the Group in an effective and responsible manner. The role of Management is to run the general business operations and activities and manage the Group's financial matters in accordance with established delegated authority from the Board. In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of all stakeholders.

### Clear Roles and Responsibilities

The Board's duties and responsibilities include, but not limiting to, the following:-

- (i) review and adopt strategic plans and direction for the Company and the Group, and monitor implementation by Management;
- (ii) oversee the conduct of the businesses of the Company to evaluate whether the businesses are being properly managed;
- (iii) identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- (iv) carry out succession planning, including the implementation of appropriate systems for appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- (v) ensure measures are in place to assess Management's performance;
- (vi) develop and implement a Corporate Disclosure Policy, including an investor relations programme or Shareholder Communication Policy for the Company;
- (vii) review the adequacy and the integrity of the Company's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines; and
- (viii) ensure that the Company adheres to high standards of ethic and corporate behavior.

The following are matters reserved for Board deliberation and decision, which are non-exhaustive and may be varied from time to time:-

- delegation of powers to Board Committees;
- receiving and approving reports and recommendations from Board Committees;
- approving strategic business plans, mergers and acquisitions of a substantial value;
- major investment or divestment of current businesses;
- changes to the group structure;
- provision of indemnities or corporate guarantees; and
- appointment of a senior independent director from among the Board members.

### Formalized Ethical Standards through Code of Conduct

The Board shall observe and adhere to the Directors' Code of Conduct as set out in the Code of Conduct adopted by the Board on 22 April 2013. The Code of Conduct can be accessed on the Company's website at <http://www.aim-net.com.my>.

## **Strategies Promoting Sustainability**

Moving forward, the Board will consider defining its business sustainability policy and ensuring its current business decision making process incorporate the elements of Environment, Social and Governance within its value chain in the business processes.

## **Access to Information and Advice**

The Directors, collectively or individually, have unrestricted access to the advice of the Company Secretary and senior management and may also seek independent professional advice and information in the furtherance of their duties and responsibilities at the Company's expense, so as to ensure that the Directors are able to make independent and informed decisions.

## **Company Secretary**

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary also ensures that deliberations at the Board meetings are recorded in the minutes.

## **Board Charter**

This Board Charter was adopted by the Board on 22 April 2013. The Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.

The Board Charter is made available for reference in the Company's website at <http://www.aim-net.com.my>.

## **B. STRENGTHEN COMPOSITION**

### **Nomination Committee ("NC")**

The NC was established on 5 August 2010 and currently comprises three (3) Independent Non-Executive Directors as follows:-

Ong Tee Kein – Chairman  
Dato' Nik Ismail Bin Dato' Nik Yusoff – Member  
Sim Thean Wah - Member

The NC is chaired by the Senior Independent Non-Executive Director.

### **Appointments to the Board**

The NC makes independent recommendations for appointments to the Board. In making these recommendations, the NC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

## Re-election of Directors and re-appointment of Directors who are over the age of 70

In accordance with the Company's Articles, all Directors who are appointed by the Board may only hold office until the next following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The Articles also provide that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, are subject to retirement by rotation at every AGM but are eligible for re-election provided always that each Director shall retire from office at least once in every three years.

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years becomes vacant at every AGM unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

The Board has considered the assessment of Mr. Mak Siew Wei and Mr. Sim Thean Wah, the Directors standing for re-election and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the ACE Market Listing Requirements.

## Remuneration Policies

The Remuneration Committee ("RC") was established on 5 August 2010 and currently comprises three (3) Independent Non-Executive Directors as follows:-

Dato' Nik Ismail Bin Dato' Nik Yusoff – Chairman  
 Ong Tee Kein – Member  
 Sim Thean Wah - Member

The RC examines and recommends to the Board the remuneration package of the Executive Directors. The level of remuneration reflects the experience and responsibilities undertaken by the Executive Directors. The determination of the fees of the Non-Executive Directors is decided by the Board as a whole.

The details of the aggregate amount of remuneration of Directors of the Company during the year were as follows:

Directors	Fees (RM)	Salaries & Other Emoluments (RM)	Meeting Allowance (RM)	Total (RM)
Executive Directors	20,000	386,953	-	406,953
Non-Executive Directors	70,000	-	17,000	87,000
Total	90,000	386,953	17,000	493,953

The Board is of the view that the Directors' Remuneration disclosures by band fulfill the transparency and accountability aspects of corporate governance.

The number of Executive and Non-Executive Directors whose total remuneration falls into the following bands are tabulated as follow:

Remuneration Bands	Number of Directors		Total
	Executive	Non-Executive	
Below RM100,000	-	3	3
RM100,001 – RM200,000	1	-	1
RM200,001 to RM300,000	1	-	1
Total	2	3	5

## C. REINFORCE INDEPENDENCE

### Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

The Board has assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

### Tenure of Independent Directors and shareholders' approval for the re-appointment of Independent Directors who have served more than 9 years

The Independent Directors whose tenure exceeds a cumulative term of nine (9) years may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board must justify and seek the shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

None of the Director of the Company has served on the Board for more than nine (9) years.

### Separation of Positions of the Chairman and Chief Executive Officer ("CEO")

The Board of the Company is chaired by an Independent Non-Executive Director who is responsible for the leadership of the Board and ensuring the effectiveness of the Board. The Company does not have a Chief Executive Officer but has two Executive Directors. The Executive Directors are responsible for the day-to-day running of the Group's businesses and implementation of the Board's policies.

## Composition of the Board

The Company is managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. This brings diversity and insightful depth to the company leadership and management for the business.

The Board is made up of five (5) members as follows:

- Two (2) Executive Directors
- Three (3) Independent Non-Executive Directors (including the Chairman)

The Board has appointed Mr. Ong Tee Kein as the Senior Independent Non-Executive Director of the Company.

## D. FOSTER COMMITMENT

### Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. During the year, six (6) Board Meetings were held and the attendance record of the Board members is reflected as follows:-

Directors	Total Number of Meetings attended by Directors
1. Dato' Nik Ismail Bin Dato' Nik Yusoff	5/6
2. Ong Tee Kein	6/6
3. Sim Thean Wah	6/6
4. Mak Siew Wei	6/6
5. Tan Chin Yen	6/6

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to update them before the meeting of every year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM.

### Training

The Board acknowledges that continuous education is vital in keeping abreast with changes in laws and regulations, business environment and corporate governance developments, besides enhancing professionalism and knowledge in enabling them to discharge their duties more effectively. Accordingly, the Group is committed to continuously provide pertinent educational program to the Board of Directors through both internal and external means. All Directors receive updates from time to time, on relevant new laws and regulations to enhance their acumen and skills to meet changing commercial risks and challenges. The Nomination Committee would evaluate and determine the training needs of its directors on a continuous basis.

List of directors' training during the financial year ended 31 December 2012 were as below:

Director	Training Attended
Dato' Nik Ismail Bin Dato' Nik Yusoff	(i) Overview of Chapter 10 of Listing Requirements (ii) Corporate Disclosure Policy
Ong Tee Kein	(i) Overview of Chapter 10 of Listing Requirements (ii) Corporate Disclosure Policy
Sim Thean Wah	(i) Overview of Chapter 10 of Listing Requirements (ii) Corporate Disclosure Policy (iii) MIA International Accountants Conference 2012 (iv) Budget Seminar 2013
Tan Chin Yen	(i) Overview of Chapter 10 of Listing Requirements (ii) Corporate Disclosure Policy
Mak Siew Wei	(i) 8th Tricor Tax & Corporate Seminar

## E. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### Compliance and Applicable Financial Reporting Standards

The Directors are required to prepare the financial statements for each financial year, that give a true and fair view of the state of affairs of the Group and of the Company during and at the end of the financial year. In preparing the financial statements, the Directors have ensured that applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is assisted by the Audit Committee in overseeing the Group's financial reporting process to ensure accuracy, adequacy of all relevant information of disclosure and quality of the financial reporting. The financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board before releasing to Bursa Malaysia Securities Berhad. The Board has taken due care and reasonable steps to ensure that the requirement of accounting standards and relevant regulations were fully complied with.

### Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the Audit Committee Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee report is set out in pages 18 to 21 of this Annual Report.

## F. RECOGNISE AND MANAGE RISKS

### Sound Framework to Manage Risk

The Board acknowledges that it is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets as required by the Code. The Group adheres to Bursa Malaysia Securities Berhad's Statement of Risk Management and Internal Control; Guideline for Directors of Listed Issuer, as guidance for compliance with these requirements.

The Group's Statement of Risk Management and Internal Control is set out in pages 16 to 17 of this Annual Report.

In addition, the Board has established a Risk Management Committee on 22 April 2013 comprising members of the Board and senior management team.

The Committee is responsible for implementing processes for identifying, evaluating, monitoring, and reporting of risks and internal control, take appropriate and timely corrective actions as needed for providing assurance to the Board that the processes have been carried out.

### Internal Audit Function

The Board acknowledges the importance of the internal audit function and has outsourced to consultant, as part of its efforts in ensuring that the Group's systems of internal control are adequate and effective. The internal audit activities of the Group are carried out according to an annual audit plan approved by the Audit Committee.

The internal audit function was performed by an external consultant during the year to identify and assess the principal risks and to review the adequacy and effectiveness of the internal controls of the Group. Areas for improvement were highlighted and the implementation of recommendations was monitored. The results of the internal audit assessment are reported periodically to the Audit Committee.

## G. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### Corporate Disclosure Policies

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient information on the Group's businesses, operations and financial to enable them to make informed investment decision.

The Company is guided by the Corporate Disclosure Guide adopted by the Board on 22 April 2013. The Corporate Disclosure Guide can be accessed on the Company's website at <http://www.aim-net.com.my>.

### Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company. The announcement of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

## H. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### Encourage Shareholder Participation at General Meetings

The Company provides information to the shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM and the right to appoint a proxy.

To further promote participation of members through proxy(ies), which is in line with the insertion of Rule 7.21 of the ACE Market Listing Requirements, the Company had on the last AGM, amended its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow and restriction on proxy's qualification.

### Encourage Poll Voting

At the commencement of the AGM, the Chairman shall inform the shareholders the substantive resolutions put forth for shareholders' approval and encourage the voting of all substantive resolutions by polling pursuant to the Code. To assist the shareholders in exercising their rights, the Chairman shall read out the provisions of the Articles of Association on the shareholders right to demand a poll vote.

### Effective Communication and Proactive Engagement

The Board has always recognized the importance of timely dissemination of information to its shareholders and potential investors. The maintenance of an effective communication policy between members of the public and the Company is important.

Shareholders and potential investors are kept abreast with the major developments of the Group through the various means of communications as follows:

- The Annual General Meeting is used as the main forum of dialogue for shareholders to raise any issues relating to the Group's operations and performance.
- Latest announcements and corporate disclosure to Bursa Malaysia Securities Berhad are available on the website [www.bursamalaysia.com](http://www.bursamalaysia.com).
- The Company's website [www.aim-net.com.my](http://www.aim-net.com.my) provides corporate information on the Group.

## I. CORPORATE SOCIAL RESPONSIBILITY

With regard to Corporate Social Responsibility, the Group is guided in every aspect of its operations by recognizing that respect and fair regard are best earned by always conducting affairs in a responsible manner. The Group also recognises that the Group's stakeholders comprise not only its customers, employees and business associates, but also the communities in which the Group operates. It follows that the Group will continue to look after the environment, response to those in need as well as support causes related to education, personal development of young people, well-being of under-privileged and natural disaster victims.