

Corporate Governance

A Note on Terminology: Naim Holdings Berhad is the ultimate holding company for Naim Land Sdn Bhd (formerly known as Naim Cendera Sdn. Bhd.), Naim Engineering Sdn. Bhd. (formerly known as NCSB Engineering Sdn. Bhd.) and other subsidiary companies, as well as their respective subsidiaries. As the principles and practices of good corporate governance apply not only to the ultimate holding company but also all of its subsidiaries, we have chosen to forego the use of the term “Company” in this statement, and instead use the term “Group”, which encompasses all companies operating under the control of Naim Holdings Berhad.

The Board of Directors is committed to strive for the highest standards of business integrity and is continually taking steps to review and uphold the best practices and an exemplary corporate governance framework within the organization. The Board of Directors’ main objective of maximizing long-term economic value shall and will remain the core value whilst maintaining a sustainable business growth for the Group.

BOARD OF DIRECTORS

The Board of Directors plays a vital role in corporate governance. It is the responsibility of the Board to endorse the organisation’s strategy, develop policies, appoint and remunerate key management staff, review and approve business plans, budget and major capital expenditures, monitor the performance and ensure accountability to the shareholders, the relevant authorities and other concerned stakeholders.

The Board is responsible for the strategic and operational planning of the business, reviewing and approving significant financial strategic plans and annual operating plans, and monitoring the implementation and execution of the plans.

BOARD COMPOSITION AND BALANCE

The number of Directors shall be determined by the Board within the limits as prescribed in the Articles of Association of not more than fifteen (15), taking in consideration the size and breadth of the business and the need for Board diversity.

The Board’s composition during the year under review was as follows:-

Category	No. of Directors	%
Executive Directors	7	54
Non-Executive Directors	2	15
Independent Non-Executive Directors	4	31
Total	13	100

Notes:

Paragraph 15.02, Bursa Malaysia Securities Listing Requirements requires 1/3rd of the Board to comprise independent directors. If the number of directors is not 3 or a multiple of 3, then the number nearest 1/3rd shall be used.

On 21 March 2011, Mr. Sylvester Ajah Subah @ Ajah Bin Subah resigned as Independent Non-Executive Director of the Company and on the same date, Ir. Abang Jemat Abang Bujang was redesignated as Independent Non Executive Director.

On 28 April 2011, Tuan Haji Jeli Bohari Bin Biha @ Jeli Umik was appointed as an Independent Non-Executive Director of the Company. Details of his profile is in page 34 of this Annual Report. The Board composition after the changes in the Board is now as follows:

Category	No. of Directors	%
Executive Directors	7	53.85
Non-Executive Directors	1	7.69
Independent Non-Executive Directors	5	38.46
Total	13	100.00

During the year under review, the Board was served by 13 Board members. 54% of the Board comprises Executive Directors and the balance 46% are Non-Executive Directors. Of the 46% Non-Executive Directors 67% (31% of the total Board) are independent. The Board is made up of diverse group of individuals with broad experience and accomplishments in finance, property, construction, project management and business development, and all have demonstrated the ability to exercise sound business judgment.

More than half of the Board comprises Executive Directors who are also involved in the management of the Company.

The Managing Director monitors and oversees the performance of the senior management team, which is charged with the day to-day management of the Group’s affairs and implementation of corporate strategy and policy initiatives as follows:-

1. Strategic, Implementation and operational planning

Review the current economic condition, changes in the property and construction industries, changes in political scenario, providing entrepreneurial leadership, developing, reviewing and approving long-term strategic plans and annual operating plans and monitoring the implementation and executions of the plans. .

2. Managing risk

Monitoring and managing risks such as financial and liquidity management, operational and strategic risks and third party risks. Implementing prudent and effective controls to enable risk to be assessed, controlled and managed.

3. Financial reporting

Financial reporting to ensure that the necessary financial and human resources are utilized to meet the objectives and to review plans and performance against budget.

Non-Executive Directors do not participate in the routine operations of the Group. Further, the Independent Non-Executive Directors bring unbiased guidance to the Company. They constructively challenge and at the same time contribute to the development of strategies. They scrutinize the performance of management in meeting approved budgets and monitor the reporting of performance. Being independent of management and free of any business or other relationship, they are therefore able to promote arm’s-length oversight and at the same time bring independent thinking, views and judgment to bear in decision making. The Board monitors the independence of each Director on a half yearly basis, in respect of their interests disclosed by them.

The Independent Non-Executive Directors draw upon their professional knowledge, background, and experience - especially advice they get from outside the Group and/or through the personal and business relationships they have developed - to help the Board tackle its related challenges.

The Board has designated one of its independent members, Datuk Haji Hamden Bin Haji Ahmad, as a Senior Independent Non-Executive Director. He is Chairman of the Audit Committee and in addition thereto, he shall continue to act as a liaison between the investment community and the Group's management and the Board. His email contact is hamden.a@naimcendera.com.

BOARD MEETINGS

The Board is responsible for determining the number of meetings to hold each year. During the year under review, the Board met 10 times.

Details of Board Members' attendance at Board meetings are as follows:-

Name of Director	Date of Appointment /Resignation	Number of Board Meetings attended	Percentage
Datuk Abdul Hamed Bin Sepawi	Appointed on 25 July 2003	9/10	90%
Datuk Hasmi Bin Hasnan	Appointed on 25 July 2003	8/10	80%
Dato William Wei How Sieng	Appointed on 1 February 2010	8/9	89%
Sulaihah Binti Maimunni	Appointed on 1 February 2010	6/9	67%
Kueh Hoi Chuang	Appointed on 25 July 2003	8/10	80%
Haji Radzali Bin Haji Alision	Appointed on 1 February 2010	8/9	89%
Leong Chin Chiew	Appointed on 12 March 2008	9/10	90%
Abang Hasni Bin Abang Hasnan	Appointed on 25 July 2003	10/10	100%
Datuk Haji Hamden Bin Haji Ahmad	Appointed on 25 July 2003	10/10	100%
Ir. Abang Jemat Bin Abang Bujang	Appointed on 25 July 2003	8/10	80%
Datu (Dr) Haji Abdul Rashid Bin Mohd. Azis	Appointed on 16 February 2005	10/10	100%
Professor Dato' Abang Abdullah Bin Abang Mohamad Alli	Appointed on 15 May 2007	7/10	70%
Haji Jeli Bohari Bin Biha @ Jeli Umik	Appointed on 28 April 2011	Not Applicable	Not Applicable
Dato Dr. Sharifuddin Bin Abdul Wahab	Appointed on 25 July 2003 Resigned on 31 January 2010	0/1	0%
Ahmad Bin Abu Bakar	Appointed on 6 February 2006 Resigned on 31 January 2010	0/1	0%
Sylvester Ajah Subah @ Ajah Bin Subah	Appointed on 26 February 2007 Resigned on 21 March 2011	10/10	100%

The Board meets at least once every quarter for the purpose of reviewing the Group's past quarterly financial performance against its annual operating plan, budget, future strategy and business plans. 5 additional meetings were convened to deliberate on urgent issues that required the decision of the Board. Members of the management team and/or advisors will schedule presentations during Board and Committee meetings, to provide the Board and/or Committee with additional information that might be considered appropriate with respect to issues, projects, actions and decisions.

DELEGATION AND DIVISION OF BOARD RESPONSIBILITIES

Matters reserved for the Board and those delegated to management are dependent on the nature of the responsibilities and the authority limits as spelled out in the Financial Authority Limit (FAL). The division of responsibilities between the Board and management therefore varies with the evolution of the Group. Management governance framework includes leadership, strategic direction, roles, processes & policies, authority limits and accountability.

The Chairman chairs all Board meetings and is responsible for the overall leadership of the Board, whereas the Managing Director oversees and monitor the performance of the Executive Directors and the senior management team who are charged with the day to day conduct of the Group's business.

However, at Board meetings the Chairman and the Managing Director share a common role of providing leadership and guidance to the Board,

facilitating effective contributions from Board members to ensure proper deliberation of all matters requiring the Board's attention.

All Board members are required to attend Board meetings. The Board also invites the external auditors, senior management staff and company secretaries to attend the meetings when appropriate. Other consultants may also be invited to attend the meetings from time to time.

A total of ten Board Committees assists the Board in its deliberations (see Board Committees, below, for further details). Each Committee reports to the Board on a regular basis, and keeps the Board fully informed of its respective activities, decisions and recommendations.

BOARD AND MANAGEMENT RESPONSIBILITIES

The Board of Directors shall continue to review the Group's long-term strategy annually. It also approves the business plan, operating budget, capital expenditure budget and financing plans on an annual basis.

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The Managing Director evaluates senior management performance against those plans and budgets on a monthly basis. The Board reviews the financial performance of the Group on a quarterly basis and it is fundamentally responsible for exercising business judgment, deliberating on value creation objectives of long-term significance to the Group, and evaluating performance of the management team annually against budget or target and other benchmarking tools deemed relevant such as Earnings per share against competitors in similar industry.

In addition to the above responsibilities, the current business environment poses major challenges for both the Board and management. The Board provides management with targets that tie to Key Performance Indicators (KPI).

At the end of 2010, management announced an ambitious plan to create sufficient sustainable growth to achieve a market capitalization of RM5 billion by 2020. Under this plan, management is currently outlining the strategies for alignment of resources for implementation under the Naim Human Resource Development Program. A workshop was convened in December 2010 to work out the blueprints towards achieving the target. In order to support these group objectives in an increasingly competitive environment, management feels that the requisite human capital is crucial in achieving the long-term goals whilst sustainably maintaining a competitive advantage.

Human Resource Consultants have been hired to undertake the following:

1. An employee satisfaction survey was conducted.
2. Based on the outcome of the survey, career development tracks were redeveloped.
3. Evaluate the applicability and appropriateness of Key Performance Indicators.
4. Adjust pay packages to attract competent staff.
5. Implement recruitment of fresh graduates with excellent results under the management trainee scheme.
6. Accurately define and evaluate staff competencies.
7. Identify potential successors for key positions.
8. Recommend and implement ongoing training and education for the enhancement of long-term business growth.

SUPPLY OF INFORMATION

Prior to every scheduled Board meeting, appropriate written materials relating to the Agenda to be discussed at the meeting will be circulated to all Directors. Management prepares such information in advance of each Board and Committee meeting to allow for adequate review and preparation.

Presentations scheduled during Board and Committee meetings by management and/or consultants and advisors are to provide the Board with proper understanding of, and competence to deal with, the current and emerging issues of the Group's business.

In addition, Directors have complete and open access to officers and employees of the Group.

The Managing Director, Senior Director, Corporate Services & Human Resource and Company Secretaries are responsible for the preparation and circulation of Board papers.

ACCESS TO ADVICE AND INFORMATION

The Board, its Committees and Directors are allowed and encouraged to seek independent and/or professional advice, at the Company's expense, on any matter they consider crucial to facilitate a business judgment and decision. However, before exercising this right they are required to discuss the issue with the Chairman and Managing Director to ensure that the interests of the Company are not jeopardized and that confidentiality is maintained.

All Directors have full, free and unrestricted access to the Senior Management, Company Secretaries, Accountants, Internal and External Auditors at all times.

All Directors are provided with timely and complete information on Board affairs and issues requiring Board's decision. Management also provides progress reports relating to operational and financial performance of the Group. See also Supply of Information, above.

RESTRICTION ON DEALING IN SECURITIES

Directors and principal officers are discouraged from dealing in the Company's securities during closed periods, i.e. from the period commencing one month prior to the targeted date of announcement of the quarterly results up to one full market day after the announcement.

Additionally, no dealing in the Company's securities is allowed by any director and principal officers from the time when price sensitive information is obtained up to one full market day after the announcement of the information to the public. Price sensitive information is any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

APPOINTMENTS TO THE BOARD

During the year under review, 2 Executive Directors resigned on 31 January 2010 and 1 Executive Director resigned on 31 December 2009. As replacement thereof, 3 Executive Directors were appointed to the Board on 1 Feb 2010. In subsequent year, 2011, 1 Non-Executive Independent Director resigned on 21 March 2011 and a Non-Executive Independent Director was appointed on 28 April 2011 in place thereof.

The general guidelines for appointment to the Board, either to fill a vacancy as a result of a creation of a new post or the resignation or retirement of an existing Director are as listed hereunder.

Acting on the recommendation of the Nomination Committee, the Board appoints the Directors to hold office until the next annual general meeting of shareholders.

The Nomination Committee shall be responsible for selecting, assessing, evaluating and recommending nominees for Director position. Each nominee will be evaluated on his competency in the mix of skills that will best complement the Board's effectiveness, knowledge, time commitment taking into consideration the number of Board in which he sits in, strategy and vision that commits to the interest of stockholders, mature judgment, professional qualification, management ability and conflict of interest.

Candidates for Non-Executive Director positions will also be assessed on the number and nature of directorships held in other companies, independence of the candidate pursuant to Bursa Malaysia Security Listing Requirements, and the calls on their time from other commitments, in order to ensure their full contribution as effective Board members.

Only candidates possessing the highest standards of personal and professional ethics and integrity, practical wisdom and mature judgment, and who are committed to representing the interests of the stockholders at all times, will be considered for recommendation to the Board for appointment.

Upon being appointed by the Board, the newly appointed Director is required to complete the Mandatory Accreditation Programme (“MAP”) within 4 months from the date of his appointment.

The Nomination Committee also reviews changes to the structure of the Board in light of the Listing Requirements and the Malaysian Code of Corporate Governance pertaining to composition of the Board and its Board committees.

RE-ELECTION OF DIRECTORS

All Directors, including the Managing Director, retire by rotation once every three years. Retiring Directors may offer themselves for re-election to the Board at the Annual General Meeting.

In addition, any newly-appointed Director will submit himself for retirement and re-election at the Annual General Meeting immediately following his appointment pursuant to Article 92 of the Articles of Association. Thereafter he shall be subject to the one-third rotation retirement rule.

Directors retiring by rotation are set out below :-

Director	Position	Age	Last Retirement	Year due for Retirement*
Datuk Abdul Hamed Bin Sepawi	Chairman	62	2010	2012
Datuk Hasmi Bin Hasnan	Managing Director	58	2010	2013
Dato William Wei How Sieng	Executive Director	60	2010	2013
Sulaihah Binti Maimunni	Executive Director	54	2010	2012
Kueh Hoi Chuang	Executive Director	55	2011	2014
Haji Radzali Bin Haji Alision	Executive Director	55	2010	2013
Leong Chin Chiew	Executive Director	49	2011	2014
Abang Hasni Bin Abang Hasnan	Executive Director	60	2011	2014
Datuk Haji Hamden Bin Haji Ahmad	Senior Independent Non-Executive Director	62	2009	2012
Ir. Abang Jemat Bin Abang Bujang	Independent Non-Executive Director	58	2009	2012
Datu (Dr) Haji Abdul Rashid Bin Mohd. Azis	Independent Non-Executive Director	66	2011	2014
Professor Dato' Abang Abdullah bin Abang Mohamad Alli	Independent Non-Executive Director	59	2010	2013
Haji Jeli Bohari Bin Biha @ Jeli Umik (appointed on 28 April 2011)	Independent Non-Executive Director	60	2011	2014

DIRECTORS' TRAINING

Continuing Education Programme

During the year, all Directors attended seminars as part of their continuing education programme to equip themselves with the latest developments in the industry and acquire new skills, and at the same time to enable them to discharge their duties effectively and efficiently. Newly appointed directors have to understand some of the basic concepts of the Bursa Malaysia Securities Listing Requirements and they are required to attend the Mandatory Accreditation Programme (MAP) within the prescribed timeframe as stipulated by Bursa Malaysia Securities.

The Directors who attended training during the year under review, and a brief description of the training attended, are listed as follows:

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Name of Director	Description of Training
Datuk Abdul Hamed Bin Sepawi	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Datuk Hasmi Bin Hasnan	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Telling the Truth Session (11 July 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Dato William Wei How Sieng	<ul style="list-style-type: none"> Mandatory Accreditation Programme on by Bursatra Sdn. Bhd. (14-15 April 2010) Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Telling the Truth Session (11 July 2010) Affordable Housing Projects by Marcus Evans (2-3 August 2010) Tricor – JK Tax Seminar by JK Corporate Services (25 October 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Sulaihah Binti Maimunni	<ul style="list-style-type: none"> Mandatory Accreditation Programme on by Bursatra Sdn. Bhd. (14-15 April 2010) Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Engagement vs Activitism-Achieving The Right Balance?, The Changing Landscape of Independent Directors- Actual vs Views from the Boardroom by Bursa Malaysia (29-30 June 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Kueh Hoi Chuang	<ul style="list-style-type: none"> Mandatory Accreditation Programme on by Bursatra Sdn. Bhd. (14-15 April 2010) Successor Planning & Career Development Talk by OD Management Consultants (29 July 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Haji Radzali Bin Alision	<ul style="list-style-type: none"> Mandatory Accreditation Programme on by Bursatra Sdn. Bhd. (14-15 April 2010) Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Making Transformation Happen by Breakthrough Performance (8 July 2010) Telling the Truth Session (11 July 2010) Successor Planning & Career Development Talk by OD Management Consultants (29 July 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Leong Chin Chiew	<ul style="list-style-type: none"> Arabic Language Class by Mohammad Ihsan Bin Haidzir (15-20 May 2010) The Institution of Surveyors Malaysia 50th Anniversary Celebration 1 Day (25 May 2010) Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Successor Planning & Career Development Talk by OD Management Consultants (29 July 2010) Affordable Housing Projects by Marcus Evans (2-3 August 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Abang Hasni Bin Abang Hasnan	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Successor Planning & Career Development Talk by OD Management Consultants (29 July 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Datuk Haji Hamden Bin Haji Ahmad	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) The 6th Asia Pacific Audit & Governance Summit 2010 by Columbus Circle (29-30 June 2010) Audit Committee Institute Roundtable Discussion titled: Going Forward: Risk & Reform-Implications for Audit Committee Oversight by KPMG (7 July 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Ir. Abang Jemat Bin Abang Bujang	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) Internal Control & Risk Management by ACCA (20 August 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Datu (Dr) Haji Abdul Rashid Bin Mohd Azis	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) World of Risk Based Audit (11 – 12 October 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Professor Dato' Abang Abdullah Bin Abang Mohamad Ali	<ul style="list-style-type: none"> Directors' Training Workshop - Meeting Bursa's Financial Reporting Timelines (15 June 2010) World Engineering Congress 2010 (2-5 August 2010) An overview of FRS 139 and FRS7 and their implementation issues, MASB IC 15 Agreements for the Construction of Real Estate by KPMG (19 March 2010)
Haji Jeli Bohari Bin Biha @ Jeli Umik (appointed on 28 April 2011)	<ul style="list-style-type: none"> Not applicable

BOARD COMMITTEES

The Board has established 10 Board Committees as follows:

Board of Directors

◆	Board Executive Committee
◆	Nomination Committee
◆	Remuneration Committee
◆	Audit Committee
◆	Risk Management Committee
◆	Human Resource / KPI Committee
◆	Business Development Committee
◆	Business Process Engineering Committee
◆	Corporate Disclosure Committee
◆	Corporate Social Responsibility Committee

A Board Committee is a Committee consisting of members of the Board of Directors and Senior Management, which is mandated to carry out specified functions, programs or projects assigned by the Board. The main objective for establishment of Committees is to assist the Board in the execution of its duties, to allow detailed consideration of complex issues, and to ensure diversity of opinions, suggestions and recommendations from the Committees. Each Committee is given a written charter with specific roles and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. The Committees are to ensure effective Board processes, structures and roles, including Board performance evaluation by the Nomination Committee. All matters determined by the Committees are promptly reported to the Board, through its chair as opinions and/or recommendations for Board decisions.

Membership of each committee shall be determined by the Board acting on the recommendation of the Nomination Committee. It is the view of the Board that the size of each Committee and the blend of skills and experience of its respective members are sufficient to enable the Committee to discharge its responsibilities in accordance with the charter. Members of each Committee are drawn from the Board and from the Group's senior management team, based on their respective skills, responsibilities and areas of expertise.

The Nomination Committee shall periodically review the committee assignments and make recommendations to the Board for rotation of assignments and appointments as appropriate. The Chairman of each Committee will develop the agenda for each meeting and will determine the frequency of the meetings.

Summary of committee membership is as follows:-

Name of Directors/ Management staff	AC	NC	RC	RM	HR/KPI	BD	BE	BPE	CDC	CSR
Datuk Abdul Hamed Bin Sepawi		C ✓				C ✓	C ✓			C ✓
Datuk Hasmi Bin Hasnan			✓	C ✓	✓	✓	✓	✓	C ✓	✓
Dato William Wei How Sieng				✓	✓	✓	✓	✓		
Sulaihah Binti Mamunni							✓	C ✓		
Kueh Hoi Chuang				✓	✓	✓		✓		
Haji Radzali Bin Haji Alision				✓		✓		✓		
Leong Chin Chiew, Edmund				✓	✓	✓		✓		
Datuk Haji Hamden Bin Haji Ahmad	C ✓	✓		✓						
Ir. Abang Jemat Bin Abang Bujang			C ✓		✓			D/A ✓		
Datu (Dr) Abdul Rashid Haji Azis	✓	✓	✓		✓					
Professor Dato' Abang Abdullah bin Abang Mohamad Alli										✓
Haji Jeli Bohari Bin Biha @ Jeli Umik	✓				C ✓					
Abet Bin Abang Mataim				✓			✓			
Kho Teck Hock, Ricky				✓	✓			✓	✓	✓
Bong Siu Lian									✓	
Wong Ping Eng, Christina				✓						
Sivakumar Ramasamy				✓				✓		
Affendi Bin Sapiie						✓				
Wong See Yong								✓		
Tan Teck Jong					✓			✓		
Shirley Noivont David, IA				✓						
Patrick Chieng								✓		
Shahrom Bin Abdul Razak										✓
Wong Ching Sen								✓		
Total No. of members	3	3	3	11	9	7	5	13	3	5

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Notes

C	: CHAIRMAN
IA	: INTERNAL AUDITOR
AC	: AUDIT COMMITTEE
NC	: NOMINATION COMMITTEE
RC	: REMUNERATION COMMITTEE
RM	: RISK MANAGEMENT COMMITTEE
HR/KPI	: HUMAN RESOURCE/KPI COMMITTEE
BD	: BUSINESS DEVELOPMENT COMMITTEE
BE	: BUSINESS EXECUTIVE COMMITTEE
BPE	: BUSINESS PROCESS ENGINEERING COMMITTEE
D/A	: DIRECTOR/ADVISOR
CDC	: CORPORATE DISCLOSURE COMMITTEE
CSR	: CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

BOARD AND DIRECTORS' PERFORMANCE EVALUATION

The performance of the Board is evaluated by the Nomination Committee and reviewed by the full Board. The evaluation is done by a scoring system with weights being assigned to each component of critical issues.

The performance of each individual Director is reviewed by the Remuneration Committee in relation to other Board members' remuneration and "market gap". The results are discussed with the Chairman, reported and endorsed by the Board. However for 2010, the Executive Directors' individual performance was reviewed by the Chairman and all Independent Non-Executive Directors due to the introduction of Key Performance Indicators (KPIs) for Executive Directors and the need to discuss their impact more widely.

CORPORATE DISCLOSURE POLICY

It is the policy of the Group to ensure informative, timely, accurate and complete disclosure of material information concerning Naim to the investment community, media and the public. Naim recognizes that all investment community, media and the public shall have equal access to material information through the widest possible publicly disseminated disclosure.

Corporate Disclosure Policies and Procedures have been drafted for implementation with the following objectives:

1. To raise awareness about, and provide guidance to management concerning the Group's disclosure requirements and practices.
2. To provide guidance and structure in disseminating corporate information to, and in dealing with, investors, analysts, the media and the investing public;
3. To ensure compliance with legal and regulatory requirements on disclosure of material information.

The Chairman and the Managing Director and Senior Director, Corporate Services & Human Resources are designated as the main contacts for analysts, investors, the media and others seeking information on financial and business matters. All Directors shall refer all formal and informal requests for information, comment, meetings, interviews or other questions from external sources to the Chairman and the Managing Director. Authorised spokespersons shall not disclose material information that has not been previously made public.

The Company's website, www.naim.com.my, will be regularly updated with Bursa Malaysia Securities releases.

SHAREHOLDER COMMUNICATION

The Group has formalized corporate disclosure policies and procedures on communication with stakeholders.

The Company communicates with shareholders by way of the Annual Report, Financial Statements, by announcing its quarterly results and through periodical Company announcements to the market in general. The level of disclosure adopted in the Annual Report and quarterly results are designed to go beyond the statutory obligations, in order to serve as an effective means of communication and information on the Group's operations.

In addition, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Group's authorized representatives (the Chairman, Managing Director and Senior Director, Corporate Services & Human Resources) on a regular basis. This enables the investors to get a balanced understanding of their main issues and concerns affecting the Group. Non-Executive Directors may attend such meetings but are not expected to provide information on Group performance. Discussions at such meetings are restricted to matters that are in the public domain.

Annual/Extraordinary General Meetings have been a main forum for dialogue with shareholders. Ample opportunities are given to shareholders to raise questions and/or seek clarification on the business and performance of the Group.

The Company follows the following main principles in its investor relations:-

- thoughtful analysis of our market value relative to estimates of our intrinsic value, that is, the present value of our group based on a series of future expected net cash flows;
- ensuring that all information divested to our investors is consistent with our strategies, plans and actual performance;
- providing transparency on our operations and performance; and
- understanding our investor base and their requirements.

OTHER GUIDELINES

The Financial Authority Limits shall continue to be amended and adapted to the changing needs of the Group's operational activities while maintaining efficiency without compromising the necessary checks and balances.

The primary objective was to expedite the approval process via a systematic delegation of authority to senior management staff, with alignment of functions and subfunctions according to operational needs and supported by proper set of checks and balances. As the Group grows or the focus of its operation shift, the appropriate oversight and control systems may have to be reviewed and changed. Formalized structures, processes and procedures encourage and support everyone to work in conformity and deter those who might be tempted to go outside the guidelines.

An employee handbook was launched in early 2011 as a guide to all employees. It contains a series of rules, regulation and policies about the Group's operations. It is used to instill awareness of key policies among the employees and at the same time safeguard the Group's interests, financially and legally.

BUSINESS ETHICS

Business ethics aims at inculcating a sense of responsibility within the Group's employees on how to conduct business. The field of business ethics is vast, encompassing areas such as corporate governance, reputation management, reliable accounting and audits and has now extended to corporate social responsibility.

The Group's Code of Ethics guides the behaviour and performance of all Employees and Directors. It sets forth the basic principles on how we conduct ourselves in our dealings with customers, employees, suppliers, partners, competitors and the community, seeking to improve every facet of our business through processes and procedures designed to optimise all our resources and expand opportunities. In addition, the Code helps ensure that all those who deal with the Group are aware that they are dealing with a world-class company that adheres to high ethical, moral and business standards.

The Code was drawn up based on core values - INTEGRITY, HONESTY, RELIABILITY and RESPONSIBILITY - to our employees, customers, suppliers, communities and our shareholders.

The Code of Ethics will evolve over time, and new values may emerge as the Company adapts itself to a changing business environment. Nevertheless, the Code will continue to govern the organizational culture and corporate and individual behaviour, to encourage higher standards of business and professional integrity while at the same time aligning effective business performance with ethical business conduct.

As important as the Code is, the Group recognizes that no set of written rules can substitute for the good judgment, common sense and professional integrity that has always been expected of all Naim personnel in the course of their professional and personal activities.

CORPORATE RESPONSIBILITIES STATEMENT

The Group's corporate responsibilities are thus summarized as follows:

"To consider, monitor and ensure that our operations continue to have a positive impact on our employees, the communities we work in, and the environment that nurtures us, and to promote trust and mutual respect amongst our customers and all other stakeholders."

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

CSR had been incorporated into the long term objective of the Group and it is an ongoing commitment. Corporate responsibility enables social and environmental concerns to be integrated in the business operations strategies to enable socially responsible decisions to be made in conformance to ethical behaviour, whilst creating shared value for our stakeholders including our employees, property buyers and the communities in which we operate, whilst at the same time providing good returns for shareholders.

We are committed to being an active and responsible member of the communities where we do business. We grant assistance via our education sponsorship initiatives, support of non government institutions, and donations to charitable activities and organization.

Naim's homes are constructed with the foremost attention given to providing a high quality of life to our home buyers. The need of a person is considered as the most important issue when deciding on a new dwelling. Quality of life is connected to pleasures and satisfaction of individual and social need and desires; i.e. the quality of the homes they live in, the bedrooms they sleep in, the kitchens they cook in, the living room they relax in, and the environment in which they take their morning or evening stroll, enjoying the green surroundings. Surveys were conducted to gauge the need of home buyers and their level satisfaction. From their feedback, Naim homes have been designed based on buyers' quality of life needs.

For more details of CSR activities please see pages 59 - 62.

COMPENSATION OF DIRECTORS

The remuneration packages of Directors are structured to link rewards to corporate goals and individual performance.

The remuneration for executive directors comprises 2 parts, i.e. fixed and variable remuneration components. The fixed component is the basic salary whereas the variable component relates to incentives tagged to targets and outcomes and the ability to contribute to the long-term strategy of the organisation. Non-Executive Directors shall be eligible to the fixed component. However they are not eligible to participate in the variable performance-linked incentive scheme.

The key objectives of the Company's policy on executive directors' remuneration are as follows:

1. to attract and retain executives of the highest calibre;
2. to reward them at the prevailing market rate; and
3. to reward them in a way which promotes the creation of shareholders' value through a "performance pegged to remuneration" package, i.e. Key Performance Indicators.

Corporate Governance

The Company's policy for non-executive directors is basically to offer remuneration adequate to attract and retain individuals of the appropriate calibre who are able to apply sound independent judgment based on extensive professional experience and knowledge.

Non-Executive Directors are entitled to 2 kinds of remuneration

1. meeting allowance or special allowances when called upon to perform extra services or give special attention to the business of the Company, and
2. directors' fees recommended by the Board and approved by shareholders in the Annual General Meeting.

As aforementioned, Executive Directors are paid salary and bonus and are not entitled to other allowances, unless deemed appropriate in special individual circumstances. However they are not entitled to meeting allowances and fees.

No director is involved in determining his own remuneration.

Details of remuneration paid to each Director for the financial year ended 31st December 2010 are as follows:

No. of Executive Directors	Range of Remuneration
1	Above RM1,950,001 to RM2,000,000
1	Above RM950,001 to RM1,000,000
2	Above RM550,001 to RM600,000
1	Above RM450,001 to RM500,000
1	Above RM400,001 to RM450,000
1	Above RM250,001 to RM300,000
No. of Non-Executive Directors	
1	Above RM1,000,001 to RM1,050,000
1	Above RM100,001 to RM150,000
4	Above RM50,001 to RM100,000

MANAGEMENT SUCCESSION

Succession planning was ranked high risk by the Risk Management Committee. To mitigate the risk, the Board has instructed for a roadmap on succession planning to be worked out and to identify competencies and train suitable second liners for key positions. Management succession is currently reviewing and implementing recommendations to ensure the availability and sustainability of capable executives who are ready to assume primary or critical roles.

The Nomination Committee will oversee a process whereby the qualities and characteristics necessary for effective Board leadership are reviewed and updated, and will implement advance planning for contingencies affecting Executive Directors and the Managing Director. On the other hand, the Managing Director, Executive Directors and Human Resource/KPI Committee shall ensure that the same process pertaining to management succession be applied to senior members of management.

FINANCIAL REPORTING

Responsibility for the preparation of financial statements and reports has been delegated to the management, under the supervision of the Chief Financial Officer. However, the Board of Directors through the Audit Committee will review the Group's financial position and the results of its operations. At the same time, the management has to ensure that the financial statements are prepared in accordance with the appropriate and applicable Malaysian statutory accounting requirements and drawn up on a consistent basis supported by prudent judgments and estimates.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors is required by the Companies Act 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group as at the end of each financial year and of the results and cash flows of the Group for the financial year.

The Board of Directors accepts responsibility for the integrity, objectivity and reliability of the financial statements of the Group. All books and accounting records have been kept to support this. The Board of Directors upholds the principle of transparent reporting and delegating the responsibility for the preparation of the financial statements to the management.

The Board is pleased that adequate internal controls and systems are maintained for providing a reasonable assurance that assets are safeguarded based on policies and procedures implemented. The annual financial statements have been prepared on the following basis:-

- compliance with the approved accounting standards, provisions of the Companies Act 1965 and the Bursa Malaysia Securities Berhad Listing Requirements;
- consistent application of the appropriate and relevant accounting policies;
- reasonable prudent judgment and estimates; and
- on the going concern basis.

INTERNAL CONTROL SYSTEMS

The internal controls which set out approval limits for capital expenditure, investments, bank borrowings and cheque signatories are arranged at the Board level. Approval sub-limits are also provided at management level to facilitate operational efficiency. The internal controls are designed to provide reasonable assurance that transactions are conducted in accordance with management's authority and that the assets are adequately protected against material loss or unauthorized acquisition, use or disposition, and that the transactions are properly authorized and recorded. The internal control systems are described in full in the Statement of Internal Control on page 58 of this annual report.

RELATIONSHIP WITH AUDITORS

The functions of the Audit Committee in relation to the external auditors and internal auditors are set out in pages 40 & 41 of this Annual Report.

ADDITIONAL COMPLIANCE

In compliance with the Listing Requirements of Bursa Malaysia Securities, the following information is provided hereunder.

Share Buy-Back

Total cumulative treasury shares as at 31 December 2010 was 13,056,000.

During the financial year ended 31 December 2010, the Company did not purchase any of its own shares. In addition, none of the treasury shares were resold or cancelled.

Options, Warrants or Convertible Securities

No options, warrants or convertible securities were issued during the financial year under review.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

The Group did not sponsor any ADR or GDR programmes during the year under review.

Sanctions and Penalties

Save as disclosed below, there were no sanctions or penalties imposed on the Company, its subsidiaries, directors and management during the financial year:-

On 20 January 2010, the Group was publicly reprimanded by Bursa Malaysia Securities Berhad for breach of paragraph 9.16(1)(a) of the Bursa’s Listing Requirements (“LR”) for failure to take into account the gain on the deemed disposal of the Group’s equity interest in Dayang Enterprise Holdings Bhd. (“DEHB”) in the Group’s announcements dated 6 August 2008, 31 October 2008 and 25 February 2009 on the quarterly reports for the financial periods ended 30 June 2008, 30 September 2008 and 31 December 2008 respectively. The gain of RM13.935 million arose as a result of the dilution of the Group’s equity interest in DEHB from 45% to 34% following the public issue by DEHB on 17 April 2008, in conjunction with DEHB’s listing on Bursa Malaysia Securities Berhad on 24 April 2008.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors and its affiliates by the Group in the financial year ended 31 December 2010 amounted to RM587,000.

Variation in Results

During the financial year under review, there were no significant variations in results.

Profit Guarantee

During the financial year under review, there were no profit guarantees given by the Group.

Revaluation Policy

For the financial year under review, the Group had not adopted any revaluation policy in relation to its landed properties.

Utilization of Proceeds

The proceeds from the Initial Public Offerings in 2003 was fully utilised as at 31 December 2009.

Related Party Transactions

The related party transactions are disclosed on pages 134 to 135 of the Annual Report.

Material Contracts

There were no material contracts entered into by the Group and/or its subsidiaries involving directors and major shareholders, either subsisting at the end of the financial year or entered into since the end of the previous financial year.

Supplementary Information on the Breakdown of Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010 into realised and unrealised profits or losses, pursuant to the directive of Bursa Malaysia Securities issued in December 2010, is disclosed in Note 38, page 141 of this Annual Report.