

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to Paragraph 15.25 of The Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors (“the Board”) of NCB Holdings Bhd (“NCB”) wishes to confirm that the Board had continuously ensured to maintain the highest standards of Corporate Governance throughout the financial year 31 December 2011. In ensuring the application of the principles of Corporate Governance in its business activities, the Board regularly reviews and maintains all identifiable means to ensure that the company’s Corporate Governance Standard are on par with the code and to that effect has put in place self regulating processes that are embedded in the operating procedures of the company.

The Board is pleased to present the Statement on Corporate Governance for the year ending 31 December 2011 outlining the application of the principle as set out in the Malaysian Code on Corporate Governance and the best practices of the Code.

1. BOARD OF DIRECTORS

The ultimate decision making Board in the Group is the Board of the Holding company, NCB. It has the responsibility of overall governance of the Group. Together with the subsidiary Boards, it takes full responsibility in ensuring businesses are carried out in compliance with governance practices and in a transparent and objective manner. Its overall objective is to enhance the value of its shareholders by achieving the strategic objectives of the Group within the confines of the Code of Corporate Governance.

1.1 Composition Of The Board

As at the date of this Annual Report, the Board is represented by ten directors, five of whom are non-independent nominees directors representing two of our single largest shareholders, whilst four are independent directors. The Group Managing Director is an executive director, in addition one of the member of the Board is a women.

The composition of the members reflected in ratio for the year under review are as follows :-

	Ratio	%
Executive Director (also the Group Managing Director)	1/10	10.0
Non-Independent Non-Executive Directors (including the Chairman)	5/10	50.0
Independent Non-Executive Directors	4/10	40.0

With the current composition, the Board feels that its members have the necessary knowledge,

experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All directors on the Board have gained extensive experience with their many years of experience on company Boards and also as professionals in their respective fields of expertise.

The Board is also satisfied that it has achieved the optimal size of Board that reflects the need of the kind of businesses the Company is involved in.

NCB Board has four independent directors, which complies with the Main Market Listing Requirements, which stipulates that no less than one third of the Board must be comprised of Independent Directors.

A brief profile of each director is set out on page 64 to 73 of this Annual Report.

1.2 Board Balance

The wide mix of different skill sets and professional diversity of the members provides an atmosphere where deliberations draw a wide range of view points and are at times challenged before a decision is arrived at. The Board of NCB acknowledges that a well balanced board will benefit the organization in quickly appraising matters at hand and to competently arrive at decisions which will enhance the performance of the companies.

The Chairman of the Board is a non-independent non-executive director with clear and distinction separation in his duties and responsibilities from that of the Group Managing Director.

1.3 Role of Chairman and Group Managing Director

The Board has always made the distinction that the position of the Chairman and Group Managing Director does not reside with the same person. In this regards our Chairman, Tun Ahmad Sarji bin Abdul Hamid is a non-independent non-executive member of the Board.

There is a clear and separate division of responsibility in the roles and duties of the Chairman and Group Managing Director. The Group Managing Director is the person involved in the day- to-day of running of the affairs of the Company.

1.4 Board of Responsibilities and Duties

The Board of NCB has the ultimate responsibility in providing overall stewardship over the management of the companies in the Group. The primary

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responsibility includes maintaining high Corporate Governance, formulating and sustaining long term strategic direction and overseeing the performance and proper conduct of business to enhance value creation for shareholders.

At its meetings the Board regularly reviews the business financial results, adopting and reviewing risk management initiatives, oversees the implementation and effectiveness of Internal Control Systems, enforcing the compliance of legal and statutory requirements within the Group.

The independent non-executive directors are active in their roles providing judgment and contributing actively in the deliberations on policies, providing unbiased and independent views when required. They also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board.

The functions of the Board can be summarised as follows :-

- Reviewing and guiding the Company's and Group's corporate strategy and adopting a strategic plan for the Company through the development of risk policy, annual budgets and long term business plans, reviewing major capital expenditures, acquisitions and divestures;
- Monitoring corporate performance and the conduct of the Group's business and ensuring compliance to best practices and principles of corporate governance;
- Identifying and implementing appropriate systems to manage principle risks. The Board undertakes this responsibility through the Risk Management Committee and the Audit Committee;
- Ensuring the existence of and reviewing the adequacy and soundness of the Group's financial systems, internal control systems and that management systems are in compliance with applicable standards, laws and regulations;
- Ensuring a transparent Board nomination and remuneration process including succession planning for top management and ensuring the skills and experiences of the directors in the Board are adequate for the discharge of their responsibilities and the caliber of the non-executive directors effectively bringing in independence in the decision making process;
- Developing and implementing an investor relation programme or shareholders' communication policy for the Company.

1.5 Board Evaluation

The Board believes in the process of full participation. Although the Board has not put in a structured evaluation mechanism, the Chairman encourages members to discuss any matters for deliberation with open feedback, constructive criticism and exchanging of information. However, all members of the Board sub-committees are evaluated on a 3-yearly basis by the Nomination Committee before they are either re-appointed or rotated.

2. BOARD MEETINGS

2.1 Board Structure and Procedures

The Board meets on a scheduled basis at least a minimum of six (6) times a year, special Board meetings are held when the need arises to consider special matters.

The NCB Board governs the subsidiary companies through the subsidiary Boards which are made up of non-executive directors nominated by NCB. These scheduled Board meetings also have structured agenda that are drawn up for the Board's deliberation and decision making. All Board meetings are set before the beginning of the year with firm dates, venue and time to enable directors to plan their time to ensure full attendance.

The Board meeting also have a pre-determined set of matters for their review. Among these are the financial performance of the Group, the operating performances and achievement of objectives and goals of the Group. All Board papers for consideration and discussion will be circulated to members with the requisite lead time to ensure directors have sufficient time to study them and be prepared for meaningful discussions.

The company secretary issues a notice of meeting prior to each Board meeting together with relevant Board papers and any corporate announcement for release to Bursa Malaysia. Management and professional advisor may be invited by the Board if there is a need for information or advice on matters that require expertise knowledge.

2.2 Number of Board Meetings and Directors Attendance

For the year under review, the Board held six (6) regular meetings excluding the Annual General Meeting and two (2) special Board meeting. The matter for review during these meetings included the review of the financial performances of the Group,

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the quarterly performance and reporting, performance review of the subsidiaries, risk management matters, internal controls and reports of the sub-committees of the Board.

All proceeding of the Board meetings are duly recorded and minuted clearly stating the issues discussed and decisions arrived at. The following are details of the number of the Board meetings held during the year 2011 and the record of director's attendance during those meetings :-

Dates of Scheduled Board Meetings

65th Meeting	-	22 February 2011
66th Meeting	-	27 April 2011
67th Meeting	-	27 June 2011
68th Meeting	-	22 August 2011
69th Meeting	-	24 October 2011
70th Meeting	-	20 December 2011

Dates of Special Board Meetings

Special Board	-	15 March 2011
Special Board	-	10 May 2011

Members Attendance

	Number of Board Meetings Attended / Held	Percentage of Attendance
Tun Ahmad Sarji bin Abdul Hamid	8/8	100%
Dato' Abdul Samad bin Mohamed @ Mohd Dom	8/8	100%
Tan Sri Dato' (Dr.) Ir. Wan Abdul bin Haji Wan Yaacob	7/8	87%
Dato' Seri Dr. Haji Arshad bin Haji Hashim	8/8	100%
Dato' Haji Rahmat bin Jamari	7/8	87%
Dato' Zuraidah binti Atan	8/8	100%
Datuk Abdul Malek bin Abdul Aziz	8/8	100%
Datuk Khoo Eng Choo	7/8	87%
Datuk Nasarudin bin Md Idris	5/8	63%
Syed Agel bin Syed Salim	8/8	100%

2.3 Directors' Training and Education

All directors of the Company have full opportunity to attend training through seminars, workshops and conferences. Directors are mindful and are further reminded at every Board meetings as the need to enhance competency by improving on their skills and knowledge to stay abreast with the ever-charging business environment, regulatory requirements and corporate governance developments. NCB Board of Directors have attended the mandatory Accreditation Program required by Bursa Malaysia Securities Berhad.

For unavoidable reasons, Tun Ahmad Sarji bin Abdul Hamid was not able to attend any public seminars or formal training during the year, but he has participated in briefing sessions and presented talks and had thereby kept himself abreast of developments in the industry via his professional networks.

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Details of training attended by Directors during the financial year 2011 are as shown below :-

Name	Course/Seminar	No. of Days
Tan Sri Dato' (Dr.) Ir. Wan Abdul Rahman bin Hj. Wan Yaacob	▪ Corporate Governance Programme on "Assessing The Risk and Control Environment"	1/2 day
	▪ "Launch of the Corporate Integrity Pledge" by PEMANDU	1 day
	▪ Conference-MICG Investor Relation and Effective Corporate Communication	1 day
	▪ Seminar on Whistleblower Protection Act 2010-Personal Data Protection Act 2011 and Price Control and Anti-Profiteering Act 2011	1/2 day
	▪ Board IT Governance and Risk Management	2 days
	▪ Governance Programme "The Board's Responsibilities for Corporate Culture-Selected Governance Concerns and Tools for Addressing Corporate Culture and Board Performance"	1 day
	▪ Institute of Internal Auditors Conference	2 days
Dato' Abdul Samad bin Mohamed @ Mohd Dom	▪ Talk by Dr. Stephen Young - It's People Who Create Value, Not Money	1 day
	▪ Corporate Governance Guide : Towards Boardroom Excellence	1 day
	▪ Corporate Governance Programme on "Assessing The Risk and Control Environment"	1 day
Dato' Haji Rahmat bin Jamari	▪ Corporate Governance Programme on "Assessing The Risk and Control Environment"	1 day
	▪ International Auditors Conference	3 days
Dato' Seri Dr. Haji Arshad bin Haji Hashim	▪ Talk by Dr. Stephen Young - It's People Who Create Value, Not Money	1 day
	▪ Corporate Governance Guide : Towards Boardroom Excellence	1 day
	▪ Corporate Governance Programme on "Assessing The Risk and Control Environment"	1/2 day
	▪ Multimodal 2011	3 days

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Name	Course/Seminar	No. of Days
Dato' Zuraidah binti Atan	▪ Corporate Governance Guide : Towards Boardroom Excellence	1 day
	▪ Strategic Due Diligence	1 day
	▪ Port Finance and Investment 2011	1 day
	▪ Directors - Voting Them In and Voting Out	1 day
Datuk Abdul Malek bin Abdul Aziz	▪ Corporate Governance Programme on "Assessing The Risk and Control Environment"	1/2 day
	▪ International Internal Auditors Conference	3 days
	▪ Innovation and People : Making It Happen, Bandung, Indonesia	3 days
Datuk Nasarudin bin Md Idris	▪ PETRONAS Directors Workshop 2011: Corporate Governance and Boardroom Issues in Challenging Times	2 days
	▪ De-Mystifying Directors' Duties and Their Implications Under The Listing Requirements	1 day
	▪ Risk Management in Today's Economy	1 day
Datuk Khoo Eng Choo	▪ PETRONAS Directors Workshop 2011: Corporate Governance and Boardroom Issues in Challenging Times	2 days
	▪ De-Mystifying Directors' Duties and Their Implications Under The Listing Requirements	1 day
	▪ Risk Management in Today's Economy	1 day
Syed Agel bin Syed Salim	▪ Talk by Dr. Stephen Young - It's People Who Create Value, Not Money	1 day
	▪ Corporate Governance Programme on "Assessing The Risk and Control Environment"	1/2 day
	▪ 9th Intermodal Africa 2011 Conference, Casablanca, Morocco	3 days

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2.4 Supply of Information

The supply of information to the Board is in an orderly and timely manner. The Board has put in place a reporting framework whereby the information on the operating subsidiaries is reported to the main Board through the Group Managing Director and the Chairman of the subsidiary Boards.

For matter that requires more detailed attention, the Board has empowered the sub-committees to obtain all information that is required and to deliberate and to advise the main Board on the right course of action. It is through these channels that the Board cascades its policies and strategies to the respective managements. The nominee directors on the subsidiary Boards have the responsibility of ensuring that policies and directions of the NCB Board are kept in focus and strategies are implemented accordingly.

All directors on the Board and committees of the Board have full and unrestricted access to senior management and the company secretary on all matters requiring information for deliberation and any regulatory and administrative matters. Information provided to the Board are compiled into reports via the Board papers which are circulated to directors in timely manner to enable them to discharge their duties and responsibilities effectively.

All directors have the consent of the Board, whether acting as full Board or on individual capacity to take independent professional advice, where necessary in furtherance of their duties.

3. APPOINTMENT AND RE-ELECTION TO THE BOARD

3.1 Appointment to the Board

The Board has mandated the Nomination Committee with the responsibility of identifying, accessing and recommending suitable candidates for appointment to the Board and Board Committees. The NCB Nomination Committee is comprised mainly of independent directors. The Chairman of the Nomination Committee is also the Chairman of the Board.

The Nomination Committee carries out the assessment, evaluation of the potential candidates in respect of appropriate skills, knowledge, expertise, experience and professionalism and integrity. The Nomination Committee only recommends a candidate but the authority of appointment lies with the full Board.

There were no new appointment of directors during the year 2011.

3.2 Re-election of Directors

The Company's Articles of Association provides that at least one third of the Directors including the Group Managing Director retire from the office at the Annual General Meeting. Any directors appointed during the year to fill a casual vacancy will retire at the next Annual General Meeting and may offer themselves for re-election.

The Board has empowered the Nomination Committee to undertake the review cases of director who are seeking re-election. The committee also reviews cases of directors who retire in accordance with Section 129 of the Companies Act, 1965 for appointment.

Details of directors who are seeking re-election and re-appointment at the coming Annual General Meeting are shown in the notice of the Annual General Meeting on page 4 to 6.

4. DIRECTORS' REMUNERATION

4.1 Directors Remuneration Policy and Procedures

The Board believes in a remuneration policy that fairly supports the directors undertaking responsibility and fiduciary duties in steering and growing this organization in achieving its long term strategies and to enhance the value of its shareholders.

The remuneration committee is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in. The remuneration committee is also responsible for evaluating the executive directors' salary.

The responsibility of the remuneration committee also includes assisting the Board in putting in place a framework and benchmark value for other compensation and benefits to directors. The remuneration committee recommends the director fee payable to member of the Board and are deliberated and decided at the Board before it is presented at the Annual General Meeting for shareholders approval.

The Board and Remuneration Committee strive to ensure a fair structure of compensation for an organization of this size and market sector and business complexity. It is also aimed at attracting and retaining directors who have the right caliber, skills and experience to contribute meaningfully towards the success of the business.

Apart from their annual remuneration the directors are also paid an attendance allowance to defray their travel expenses and related cost for attending the Board Meetings.

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4.2 Basic Salaries and Fees

All non-executive directors receive an annual director fee upon approval of shareholders at the Annual General Meeting. The executive director however, receive a remuneration package which includes a basic salary, discretionary bonus and other benefits-in-kind.

The Remuneration Committee and the Board implements a formal and transparent procedure for the approval of remuneration for executive directors and senior management of the Group. This remuneration package is reviewed annually by the Remuneration Committee in relation to the market demand and supply, scale of responsibility, performance of the business and individual performance evaluation.

Although the salary of the executive director is subject to annual review, all other benefits-in-kind are specified in the contract of service. The benefits-in-kind include company car and driver, personal telecommunications facilities, club memberships, medical and dental coverage.

Details of directors' remuneration for the financial year ended 31 December 2011 are as follows:-

Range of Remuneration	Executive Director	Non-Executive Directors
RM50,000-RM100,000	-	5
RM100,001-RM150,000	-	4
RM1,200,001-RM1,250,000	1	-

5. BOARD COMMITTEES

As part of its reporting structure the NCB Board has put in place several committees to undertake specific duties of deliberating, evaluating on a continuous basis the mechanism, systems and framework of business processes that should be in place to ensure the achievement of business strategies and targets. Apart from monitoring the defined activities under their purview, these committee would also undertake the Boards delegated role of detailed review of matters that require Boards deliberation and approval.

All such committees have been empowered by the Board to act as a mechanism to control, monitor and to carry out whatever necessary detailed study and review of their respective areas of expertise and to provide feedback to the Board for its decision making.

The empowerment to these committees is done by delegating its authority and defining its scope of work in the Terms of Reference which are normally distinct and different between the committees. The Terms of Reference generally empowers them to deliberate, examine issues, provide assurance and accountability to the Board through their feedback and recommendations.

During the year under review the following committees of the Board were in place :-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee
- Finance and Investments Committee
- Syariah Committee

Audit Committee

The members of the Audit Committee and their record of attendance at meetings held during the year are as follows :-

	Number of Meetings Attended/Held
Datuk Abdul Malek bin Abdul Aziz	7/7
Dato' Seri Dr. Haji Arshad bin Haji Hashim	7/7
Datuk Khoo Eng Choo	7/7
Syed Agel bin Syed Salim	7/7

The Audit Committee comprises of four non-executive directors of whom three are independent directors. In accordance with the code on Corporate Governance all members of the Audit Committee has the experience and knowledge to read, interpret and analyse financial information. One of the member Datuk Khoo Eng Choo fulfills the requirement of being a member of an accounting association or body. The chairman is a non-executive independent director.

The Terms and Reference defined by the Board clearly state the scope of the role and the responsibility the committee has to efficiently discharge its duties and to ensure quality and integrity of internal controls. Its Terms of Reference also requires that the committee provides assurance on the company's practices and processes, soundness of its internal control system and compliance to Corporate Governance and other listing requirements.

Fuller details of the Audit Committee's Terms of Reference and its report for the year under review are presented on pages 103 to 105 of this Annual Report.

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Nomination Committee

	Number of Meetings Attended/Held
Tun Ahmad Sarji bin Abdul Hamid	2/2
Datuk Abdul Malek bin Abdul Aziz	2/2
Datuk Khoo Eng Choo	2/2

The Nomination Committee consists of three Board members where two of them are non-executive non-independent directors. The Chairman is also the chairman of the Board of NCB Holdings Bhd.

The Committee's duties and other responsibilities include :-

Making appropriate recommendations to the Board on matters of renewal and extension of tenure, retirement and appointment and re-appointment of directors.

- Assessing and recommending any candidate for directorship and ensuring an appropriate plan for Board succession for the Group.
- Reviewing annually the mix of skills and experiences and the effectiveness of the Board as a whole, the Committees of the Board and contributions of each individual director to the effective decision making process of the Board.
- In the case of position of independent non-executive directors, the Nomination Committee will also evaluate the candidates' ability to discharge such responsibility as expected of an independent non-executive director.

During the year under review the Nomination Committee met a total of two times to carry out its responsibilities.

Remuneration Committee

	Number of Meetings Attended/Held
Datuk Abdul Malek bin Abdul Aziz	2/2
Datuk Khoo Eng Choo	2/2
Datuk Nasarudin bin Md Idris	2/2
Syed Agel bin Syed Salim	2/2

The Remuneration Committee comprises of four Board members of whom two are independent non-executive directors and two non-independent non-executive directors. The chairman is an independent director. Its Terms of Reference, as set by the Board

defines its responsibilities and duties. Generally, the remuneration committee assists the Board in reviewing, assessing, formulating and recommending remuneration and reward packages for directors and senior management of the companies in the Group.

Its responsibilities and duties include :-

- To review and recommend to the Board remuneration policies and packages for senior management including the benefits-in-kind and contract terms and conditions;
- To review and recommend to the Board Remuneration for director of the companies in the Group including executive and non-executive directors, their benefits-in-kind and other emoluments;
- The committee will also deal with any other matters relating to remuneration, rewards and compensation as referred to it by the Board.

During the year under review the Remuneration Committee met a total of two times.

Risk Management Committee

	Number of Meetings Attended/Held
Dato' Haji Rahmat bin Jamari	3/3
Tan Sri Dato' (Dr.) Ir. Wan Abdul Rahman bin Haji Wan Yaacob	3/3
Dato' Zuraidah binti Atan	3/3
Datuk Khoo Eng Choo	2/3
Syed Agel bin Syed Salim	3/3

The Risk Management Committee comprises of five Board members of whom three are independent non-executive directors whilst three are non-independent non-executive directors.

The Risk Management Committee has its Terms of Reference as set by the Board clearly stating its scope of responsibilities and duties. Primarily the responsibilities are as follows :-

- Responsible to design and implement appropriate system and framework to manage risks in the Group of companies;
- To oversee the management's policies, procedures and practices in identifying, analyzing, assessing and controlling or mitigating risk in the Group;
- Responsible to develop and implement in conjunction with the Audit Committee procedures for monitoring and assessing risks that are determined to be auditable through the annual audit programmes;

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- To ensure that there is a system of mitigating and managing risks with sound internal controls and with a view of long term viability of the business objectives.

The Group has a risk management unit that is headed by a Risk Manager who carries out periodic reviews, monitoring of control measures identified by management for mitigating risks. The unit also assist in coordinating the risk activities within the Group with the assistance of several risk secretariats at the subsidiary company managing this risks.

The Risk Manager reports directly to the Risk Management Committee via reports on the compliance and adequacy of managing and controlling risks identified. The Risk Management Committee also receives report on the overall Group risk scorecard and risk ratings at its scheduled meeting twice a year.

During the year under review the Risk Management Committee met a total of three times.

Finance and Investments Committee

	Number of Meetings Attended/Held
Datuk Nasarudin bin Md Idris	4/4
Tan Sri Dato' (Dr.) Ir. Wan Abdul Rahman bin Haji Wan Yaacob	4/4
Dato' Zuraidah binti Atan	4/4

The Finance and Investments Committee comprises of three Board members of whom two are non-independent non-executive directors. The Finance and Investments Committee has its Terms of Reference as set by the Board which defined its scope and responsibility and duties as follows :-

- Formulate and review dividend policy and practices and to make recommendations for change where deemed appropriate and necessary;
- Review the Group's development and investment funding policy and also the review of the Group's investment plans and practice and to make recommendations for change where deemed appropriate and necessary;
- Review the existing policy and practice on management of surplus fund and to make recommendations for change where deemed appropriate and necessary;
- Review and evaluate capital structure policy and practice and to make recommendations for change where deemed appropriate and necessary;

- Review the Budget and Business Plan and to make recommendations for change where deemed appropriate and necessary;
- Examine and evaluate issues that have a bearing on the Group's business on an ad-hoc basis as requested by the Board.

During the year under review the Finance and Investments Committee met a total of four (4) times to carry out its responsibilities.

Syariah Committee

	Number of Meetings Attended/Held
Dato' Dr. Abdul Halim bin Ismail	1/1
Prof. Dato' Dr. Abdul Monir bin Yaacob	1/1
Prof. Dato' Dr. Paduka Dr. Mahmood Zuhdi bin Haji. Ab. Majid	1/1
Dato' Haji Rahmat bin Jamari	1/1
Dato' Seri Dr. Haji Arshad bin Haji Hashim	1/1

The Syariah Committee comprises of five members. Three of the members are experts in the field of Syariah principles and applications and the other two are serving non-executive member of the NCB Board.

The committee's duties and responsibilities include the following :-

- To identify, determine and advise the Board on the extend of compliance of the operation of the company in respect of;
 - The establishment of the company relating to lease concession, agreements and deals structure.
 - Operational activities of the companies in the Group in relation to Syariah compliant activities and non-compliant activities.
 - Financial activities relating to placement of funds, financing structures and non Syariah elements in financial contracts.
- To advise the Board on any Syariah related issues pertaining to the industry the companies are operating in;
- To undertake and advise the Board on any Syariah matters as instructed by the Board;

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6. ACCOUNTABILITY AND AUDIT

6.1 Financial Reporting

The Board is committed to provide a balanced, fair and comprehensive assessment of the company's state of affair in its financial statements. To ensure this, the Board has put in place adequate financial processes that are aimed at keeping the companies accounting records and transactions in accordance with the accepted accounting standards. This ensures the preparation of the annual financial statements that present a true and fair view of the state of affairs of the Group and Company at the reporting dates.

The Board of NCB is also committed to ensure that it presents a balanced and comprehensive assessment of the operation and financial results of the Group on a quarterly basis via its interim financial reports.

It releases the quarterly financial report immediately after each quarter of the year for public announcement together with the required disclosure of the Main Market Listing Requirements. These quarterly reports are published in a condensed format with full financial statements prepared and published in the Annual Report after the financial year end.

The audit committee assists the Board under its terms of reference in ensuring that the Financial Statements are prepared in accordance with approved applicable International Financial Reporting Standards and are in accordance with the provision of the Companies Act, 1965.

The Statement of Directors' Responsibility in relation to the Audited Financial Statements is presented on page 117 of this Annual Report.

6.2 Internal Control

The Board maintains a sound system of Internal Controls to manage the day-to-day running of the business activities of the companies. The internal control system is a mechanism of checks and balances in the operating and financial processes wherein the transactions and processes carried out and are subjected to this self checking mechanism. The management of the companies have embedded such control mechanism within their Standard Operating Procedures to ensure its continuous and effective operations.

The Board has mandated the Audit Committee with the overall responsibility of ensuring adequacy, completeness and effectiveness of this Internal Control Systems. The Audit Committee undertakes

periodic reviews and monitors the compliance to this systems via the Internal Audit Department who carries out audit checks on such Internal Controls and provide feedback on its effectiveness and compliance at the operating level. Any weakness or variance reported by the Internal Audit to the Audit Committee will be turned into management actions to rectify any weaknesses in those internal controls.

The Internal Audit Department acts as a unit independent of management to carry out the audit of the processes and business transactions of the operating units by way of pre-approved audit programme and reports its findings back to the Audit Committee. This independent mechanism of ensures the accountability, adequacy and effectiveness of the system of Internal Controls in place, giving the assurance that the Board needs to fulfill its responsibility.

The Audit Committee monitors the feedback and reports of the Internal Audit Department for matters of non-compliance, weakness in internal control systems or the lack of it and monitors the curing of any such inadequacies by the management.

Fuller details the Statement of Internal Control is presented on pages 97 to 99 of this Annual Report.

6.3 Relationship with Internal Auditors

The Board maintains a good working relationship with the external auditors of the Group, Messrs Ernst & Young through the Audit Committee. The Audit Committee acts as the platform used by both the external and internal auditors for communication and avenue to access the Board. The Audit Committee invites the external auditors to attend its meeting as and when required but at least a minimum of twice a year when they intend to begin the final year audit and once when they have completed their audit. The internal auditors meet the committee at least six times a year. During such meeting the auditors highlights and discusses the nature, scope of the audit, audit programme, internal controls and problems that may require the attention of the Board.

In compliance to Listing Requirements and Corporate Governance principles the Audit Committee within its duties reviews the scope of work, independence, objectivity and the feedback and results of the audits conducted by both the external and internal auditors.

The Audit Committee also makes arrangements to meet to discuss with the external and internal auditors separately without the presence of management on any matters relating to the Group and its audit activities. Two such meetings were held during the current year.

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7. SHAREHOLDERS AND INVESTORS

The Board is committed under its Corporate Governance obligation to have an effective channel of communication with shareholders and the investing public. It affirms that the primary channel to engage and communicate with its shareholders is during the Annual General Meeting.

During this meetings, the Board provides an account of the affairs of the business that was undertaken and the future direction for this Group. The Annual Report is tabled at this meeting and the shareholders can engage the Board in productive dialogue.

In respect of the investing public, the Board has put in place as an investor relations initiative where a page is dedicated to investor relations on the Company's official website www.ncb.com.my wherein official announcements made to Bursa are made available. The website also provides details of stock movements, its price and other related charts.

Furthermore, the Group Managing Director and the Group Financial Controller arrange regular face-to-face briefing and discussions with analysts and investors to provide information on developments and to take questions on matters relating to their interest.

The Company's Annual General Meeting "(AGM)" is a crucial forum where the Company's shareholders meet to have discussions with the Board of Directors on the affairs of the business. Notice for the AGM is sent out to shareholders at least 21 days ahead of the meeting date together with the Financial Statement and agenda for the meeting.

The Board encourages all shareholders to attend the Annual General Meeting and to participate in its proceedings. Every opportunity is given to shareholders to seek clarification on the performance of the Company and the Group.

The full agenda of the 13th Annual General Meeting of NCB is presented on pages 4 to 6 of this Annual Report.

8. STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE

The Board confirms that the Group has made strong efforts of maintaining a high standard of Corporate Governance throughout the year to seek to achieve to the highest level of integrity and ethical standards in all its business dealings. The Board also confirms that it has adopted the revised Code on Corporate Governance into its practices.

This statement is made in accordance with the resolution of the Board of Directors dated 21 February 2012.

TUN AHMAD SARJI BIN ABDUL HAMID
Chairman

DATO' ABDUL SAMAD BIN MOHAMED @ MOHD DOM
Group Managing Director