
STATEMENT ON Corporate Governance

INTRODUCTION

As the leading airport operator, our operations and business activities have an enormous influence in the daily lives of thousands of people across the country, region and perhaps around the world. The Board of Directors strongly believes that good corporate governance is vital in delivering the long-term sustainable business growth and creating economic value for shareholders as well as other stakeholders. The adoption of sound corporate governance standards and practices ensure that MAHB Group is managed appropriately and operated successfully in the current and future needs of global business environment.

The Board is fully committed in compliance with the principles and best practices of the Malaysian Code on Corporate Governance (revised 2007) (Code), Bursa Malaysia Securities Berhad's Main Market Listing Requirements (Bursa Malaysia Listing Requirements") and the adoption of recommendations on corporate governance in "Green Book Enhancing Board Effectiveness" initiated by the Putrajaya Committee on GLC High Performance as part of the GLC Transformation Programme (Green Book) as well as the Corporate Governance Guide (CG Guide) issued by Bursa Malaysia. The Board constantly strived its efforts in enhancing and raising

a high standard of corporate governance throughout MAHB Group, which are fundamental to fulfilling its responsibility of protecting and enhancing the shareholders' value and the financial performance of the Group.

Good corporate governance practices, however, should extend beyond mere statement of compliance. It should aim at achieving the highest standards of conduct, business integrity, ethics, accountability and professionalism across all the Group's activities. The Board acknowledges the importance of corporate governance in enhancing stakeholders' value, increasing investors' confidence, establishing customers' trust



and building a competitive organization to support the Group's corporate mission and vision. The commitment of the Board, Management and staff of MAHB in ensuring the interest of investors and all other stakeholders are well taken care of is affirmed by the award and recognition that MAHB had ranked second (2nd) position in score A category under the inaugural Malaysian Corporate Governance ("MCG") Index 2010 by the Minority Shareholder Watchdog Group ("MSWG"). The index, an initiative by MSWG, is an extension of MSWG's corporate governance survey in collaboration with Nottingham University Business School ("NUBS") in 2004 – 2008. MAHB had received the Distinction Award in the MCG Index 2009 and ranked seventh (7th) position (2007: 14th and 2006: 40th) in the MSWG – NUBS corporate governance survey conducted in 2008.

TRANSFORMATION PROGRAMME

The Board will continuously ensure that the following three main components of an effective Board, as outlined under the Programme ("Improvement Programme"), will remain present:-

- (a) To structure a high performing Board;

- (b) To ensure effective day to day Board operations and interactions; and
- (c) To fulfil the Board's fundamental roles and responsibilities guided by the best practices and recommendations of the relevant bodies, such as the Malaysian Institute of Chartered Secretaries and Administrators.

In March 2010, MAHB launched its 5-year business direction "Malaysia Airports Runway to Success: Building A World-Class Airport Business 2010 – 2014". The business direction outlines MAHB's strategic focus and targets in achieving revenue of RM3 billion through increase traffic growth, service excellence and commercial development.

THE BOARD OF DIRECTORS OF MALAYSIA AIRPORTS HOLDINGS BERHAD

The Board

The Board is responsible for the overall governance of the Group by ensuring the strategic guidance and succession plan of the Group, the effective monitoring of management goals, and accountability to the Group and shareholders.

Board Charter

The Board of Directors of MAHB has formally adopted the Board Charter, which provides guidance to the Board in the fulfilment of their roles, duties and responsibilities which are in line with the principles of good corporate governance.

The Board Charter clearly outlines the principles and adoption of best practices on the structures and processes towards achieving the highest governance standards, which include amongst others, the right balance and composition of the Board, the Board's obligations and liabilities, Directors' Code of Ethics, appointment of new directors, remuneration policy and the establishment of Board Committees together with the required mandates and activities.

The Board reviews the Board Charter from time to time or at least once in every two (2) years to reflect changes to the Company's policies, procedures and processes as well as latest relevant legislations and regulations.

Directors' Code of Ethics

The Directors continue to adhere to the Directors' Code of Ethics formulated based on principles in relation to integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the standard of corporate governance and corporate behaviour.

STATEMENT ON Corporate Governance

The Balance and Composition of the Board

Malaysia Airports' business scope covers domestic and international markets and is consistently faced with political, commercial and technical risks associated with its business ventures. Consequently, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which Malaysia Airports operates, added with appropriate financial and risk management skills. The Board considers that objectivity and integrity, (as well as their relevant skills, knowledge, experience, mindset and ability, which will assist the Board in strengthening its key functions), are the prerequisites for appointment of new directors on the Board of Malaysia Airports.

The directors' relevant background ensures that they have the understanding of the fiduciary duties and responsibilities of the Board of Directors and appreciate the working relationship between the Board and Management of the Group, as well as the ability to comprehend the industry within which Malaysia Airports' operates, and its current and future competitive environment.

The Board currently comprises seven (7) Non-Independent Non-Executive Directors, three (3) Independent Non-Executive Directors and one (1) Managing Director. Izlan bin Izhab shall retire as Non-Independent Non-Executive Director of the Company at the conclusion of the Twelfth Annual General Meeting to be held on 28 April 2011. Following the retirement of Izlan, the Company shall comply with paragraph 15.02 of the Bursa Malaysia Listing Requirements. The directors' biographies are enclosed from pages 134 to 142 of this Annual Report.

There were several changes in the MAHB Board's composition as follows:-

Name	Designation	Remark
Nik Roslini binti Raja Ismail (Alternate Director to Dyg Sadiyah binti Abg Bohan)	Non-Independent Non-Executive	Appointed with effect from 30 August 2010
Mohd Nadziruddin bin Mohd Basri	Non-Independent Non-Executive	Resigned with effect from 17 March 2011
Ahmad Jauhari bin Yahya	Non-Independent Non-Executive	Appointed with effect from 17 March 2011
Mohd Izani bin Ghani	Non-Independent Non-Executive	Appointed with effect from 21 March 2011

The Board expressed its appreciation to Mohd Nadziruddin bin Mohd Basri for his contribution and guidance to the Company and the Board, in particular, during his tenure as a member of the respective Board Committees of MAHB.

The composition of the Board fairly reflects the interest of the significant shareholders, which was adequately represented by the appointment of their nominee directors without compromising the interest of the minority shareholders. The independent directors on the Board act as a caretaker of the minority shareholders and their views carry significant weight in the Board's decision-making process.

The Board regularly reviews the composition of the Board and its Committees to ensure appropriate balance and a good mix of skills and experience. The Board also considers the need to rotate the membership of the Committees amongst the directors, in order for them to gain exposure on the different functions of the Committees.

Senior Independent Non-Executive Director

Given the composition of the Board, in particular the strong and independent presence of the members and the Board as a whole, and the separation of the roles of the Chairman and the Managing Director, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director, at this juncture.

Principal Responsibilities of the Board

The Board members exercise due diligence and are in discharging their duties and responsibilities to ensure that the ethical standards are applied, through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the best practices in the Code and CG Guide, and act in the best interest of the Group and shareholders.

The principal responsibilities of the Board include formulating, reviewing and adopting an effective strategic planning of the Group, steering the Group in the

right direction to achieve its desired goals, overseeing the conduct of the Group's businesses to ensure that the business processes are in place to maintain the highest integrity of the Group's businesses, identifying and managing the risks affecting the Group, reviewing the adequacy and integrity of the Group's system of internal control and ensuring timely and accurate disclosure of material information regarding the financial situation, performance, ownership and governance of the Company. Apart from that, the Board also assumes the responsibility of developing and implementing an investor relations programme or shareholder communications policy for the Group, as well as ensuring that the Group has its own succession planning programme for the senior management of the Group.

The Role of the Board

The Board is responsible to the stakeholders for overseeing and protecting the long-term interests of all through effective management of the Group's businesses. It challenges the views of the Management by undertaking thorough examination of the Group's present and future strategic directions. It is also responsible for ensuring that management maintains and updates its system of internal control that provides satisfactory assurances of its effectiveness and efficiency, in relation to operations, internal financial controls, and compliance with the laws and regulations.

In order to ensure that Directors have sufficient time to focus and fulfil their roles and responsibilities effectively, the Board has adopted a restriction policy on external appointments.

Independence of non-executive Directors

The Board considers all the three (3) Independent Non-Executive Directors, namely Datuk Alias bin Haji Ahmad, Datuk Siti Maslamah binti Osman and Jeremy bin Nasrulhaq to be independent based on the definition as set out under the Bursa Malaysia Listing Requirements. The Board is satisfied that the three (3) Independent Non-Executive Directors represent the interest of the minority shareholders by virtue of their roles and responsibilities.

The Board has determined that the following behaviours are essential when considering and assessing the independence of each non-executive Director:-

- (a) Able to provide intelligent questions, constructive debates, rigorous challenges, and decides dispassionately on management's views and assumptions;
- (b) Is willing to challenge the views, opinions, and beliefs of other directors, for the benefit of the company;

STATEMENT ON Corporate Governance

- (c) Is prepared to defend his/her own views, opinions, and beliefs for the ultimate good of the company; and
- (d) He/She must have a good understanding of the businesses and operations of the company in order to properly evaluate and provide the necessary responses on the various issues confronted by the Board.

The Board considers the issue of directors' independence on an annual basis and has concluded that each of them continues to demonstrate the above behaviourswhi cha rei n accordance with the definition under the Bursa Malaysia ListingRe quirementstst herein.

The Roles of the Executive Director and Non-Executive Directors

The Executive Director (i.e. Managing Director) and the Non-Executive Directors have been given clear roles and accountability for intensifying performance management in the Group.

The Executive Director is responsible for the following:-

- (a) Implementation of the overall design of the performance management scheme, particularly developing the strategy, defining the Key Performance Indicators and cascading them through the organisation;

- (b) Review of the performance of the businesses, taking corrective actions and reporting them to the Board; and
- (c) Review of the performance of the Senior Management and delivering meaningful rewards and compensation.

On the other hand, the Non-Executive Directors are responsible for the following:-

- (a) Providing independent judgement on the group's strategy;
- (b) Overseeing that the internal control systems and the risk management processes are appropriate and effective;
- (c) Setting the appropriate targets/ objectives and reviewing the performance of the company and the executive director; and
- (d) Setting the right remuneration of the executive director, and evaluating the effectiveness of the company's succession planning programme.

The Board opined that the quality of its directors, each of whom possesses an impeccable background and offers relevant experience, ensures that they are able to challenge and help develop and drive the Group's vision and strategy, scrutinise performance and controls including to ensure that the governance standards are continuously upheld.

The Chairman will always ensure that the board's decisions are based on consensus, and any concerns expressed by any director, will accordingly be recorded in the minutes of meetings by the Company Secretary.

The Chairman and Managing Director

The responsibilities and authorities between the Chairman and the Managing Director are clearly separated and defined in order to maintain a balance of power, as outlined below:-

Chairman

Tan Sri Datuk Dr. Aris bin Othman is the Chairman of the Company. Prior to his appointment as the Chairman, Tan Sri Datuk Dr. Aris has never assumed an executive position in the Board or acted as the Managing Director of the Company. Tan Sri Datuk Dr. Aris' roles and responsibilities are as follows:-

- (a) Ensure orderly conduct and working of the Board, where healthy debates on issues being deliberated are encouraged to reflect any level of scepticism and independence;
- (b) Ensure that every Board resolution is put to a vote to ensure that the decision is made collectively and reflects the will of the majority;
- (c) Ensure that the Board agrees on the strategy formulated by the company and checks on its implementation;

- (d) Exemplify the highest standards of corporate governance practices and ensure that these practices are regularly communicated to the stakeholders;
- (e) Ensure the appropriateness and effectiveness of the succession planning programme at the Board and Senior Management levels;
- (f) Ensure a healthy working relationship with the Managing Director and provide the necessary support and advice as appropriate; and
- (g) Determine the agenda for the Board meetings in consultation with the Managing Director and the Company Secretary and ensure effective time management to allow the Board to have a rich and deep discussion.

Managing Director

Tan Sri Bashir Ahmad bin Abdul Majid is the Managing Director of the Company. Tan Sri Bashir's in-depth knowledge in aviation and airport operations industry and the overall Group's businesses and affairs, has significantly contributed towards manoeuvring the direction of the Group to achieve the desired goals and objectives. Tan Sri Bashir's roles and responsibilities are as follows:-

- (a) Implementing the policies and decisions of the Board, overseeing the operation, as well as coordinating the development and implementation of business and corporate strategies;
- (b) Developing and translating the strategies into a set of manageable goals and priorities;
- (c) Setting the overall policy and direction of the business operations, investment and other activities based on effective risk management controls;
- (d) Ensuring that the financial results are accurate and not misleading;
- (e) Ensuring that the financial management practice is carried out at the highest level of integrity and transparency for the benefit of the shareholders;
- (f) Ensuring that the business and affairs of the company are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- (g) Ensuring that whilst the ultimate objective is to maximise the shareholders return, the social and environmental factors are not being neglected;
- (h) Developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts etc; and

- (i) Providing the leadership and represent the company with major customers and industry organisations together with the involvement of the Chairman.

Furthermore, the responsibilities and authorities between the Chairman and the Managing Director are also clearly outlined in the Board Charter.

Induction and Continuous Professional Development

The newly-appointed Directors will be undergoing a comprehensive induction programme arranged by the Company Secretary, tailored to their individual requirements, comprising, briefings by the Senior Management, training on Directors' duties and responsibilities, and visits to the airports. The training is normally initiated within the first six months period following the Director's appointment.

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Malaysia Listing Requirements, except for the newly appointed Director, Mohd Izani bin Ghani. In this context, the listing requirements also prescribed that the onus is on the Board of Directors to determine and oversee the training needs of its members, whereby they should be encouraged to attend talks, seminars and training programmes to enhance their skills and knowledge, and to keep abreast with new developments within the business environment.

STATEMENT ON Corporate Governance

Members of the Board of Directors of MAHB had attended the training programmes organised during the financial year 2010. The Board, being cognisant of its responsibility under the Bursa Malaysia Listing Requirements, had taken the initiative to organise in-house training programmes conducted by external experts, on areas relating to the changes in the aviation industry, business sustainability and strategy development, etc. The training programmes attended by the Directors in 2010, are as follows:

- (a) Aviation Insurance Outlook Talk by Mr. Keith Richardson from Messrs Barlow, Lyde & Gilbert;
- (b) Condition of Use Briefing by Mr. Andy Swan from Messrs JLT Aviation Insurance;
- (c) Transformational Leadership – A Passionate Passage Talk by Malaysian Directors Academy (MINDA);
- (d) 2010 National Conference on Internal Auditing “New Directions for the New Decade” by the Institute of Internal Auditors Malaysia;
- (e) Economics Updates by Citibank Malaysia Berhad; and
- (f) Aviation Industry Updates and Outlook Talk by Nomura Securities Sdn. Bhd.

The Board members are continuously updated with the latest information on issues related to governance, risk management, board performance and financial position. In addition, the Board members also strive to develop their understanding of the business through regular airport visits and in-depth presentations on topical issues.

The Company Secretary would continuously disseminate to the Board any interesting and relevant articles or reports extracted from various reputable magazines on governance best practices for the Board members’ reading pleasure in order to keep them updated with the latest development and also as part of their life long learning education.

Board Performance Evaluation

The Board performance evaluation framework and processes in MAHB have been developed and adopted in accordance with the principles as enunciated in the Green Book and the Code.

The performance evaluation of the Board was primarily based on the answers to a detailed questionnaire. The questionnaire form covers topics that include, amongst others, the responsibilities and influence of the Board, meeting arrangements, information and support,

Board composition, decision-making and output. Similar topics were covered in respect of the questionnaire for each of the Committees. Whilst assessing the performance of the Board Committees, the members indirectly assess the individual performance against a range of key competencies. These competencies include strategic thinking, commitment and preparedness, listening and communication skills, contribution to decision making and constructive challenging of information. Thereafter, the results of these questionnaires, were documented, and collectively, formed the basis of a report to be tabled at the Board Nomination & Remuneration Committee meeting, subsequently for onward submission to the Board of Directors’ meeting for deliberation thereof, whereby the Board had evaluated their performance and formulate a “going forward position”, to enhance the effectiveness of the Board.

The Board is passionate about conducting such performance evaluation, as this enables the Board performance to be properly gauged. At this juncture, the recommendation to conduct a one-on-one session between the Directors and the Chairman (as practised by the UK Public Listed Companies) would be considered at an appropriate time, at a later stage to come.



STATEMENT ON Corporate Governance

Whistleblowing Programme

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, whilst at the same time being an entity that serves the interest of the nation, the Company has instituted a whistleblowing programme which acts as a formal internal communication channel, where the staff can communicate concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values. The categories of concern may cover the following:-

- (a) Commission of fraud, bribery and/or corruption;
- (b) Unauthorised use of Company's properties, facilities, information etc;
- (c) Failure to comply with the professional standards or legal requirements;
- (d) Actions that may result in danger to the health and/or safety of people or may cause damage to the environment;
- (e) Miscarriage of justice;
- (f) Unethical practice in accounting, internal controls, financial reporting and auditing matters; and
- (g) Any other legal or ethical concerns.

All concerns should be addressed to the Whistleblowing Independent Committee ("WIC") which is comprised of respectable individuals from various levels of management chaired by Dato' Che Azmi bin Murad, Senior General Manager, Operations, MAHB whereby the Committee would assess all concerns reported and act accordingly in accordance to their terms of reference. Subsequently, the WIC will submit a report to the Board Risk Management Committee on a quarterly basis. All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

During the year, a total of six (6) concerns were reported, which cover broad areas of concerns as mentioned above, and where appropriate, actions have been taken to address the issues raised.

Meetings and Attendances

The Board requires all members to devote sufficient time to the working of the Board, to effectively discharge their duties as the Directors of the Company, and to use their best endeavours to attend meetings.

The Board meetings are scheduled in advance before the end of each financial year so as to enable the Directors to plan accordingly and fit the year's board meetings into their schedules. Special Board meetings may be convened to consider urgent proposals or matters that require expeditious decision or deliberation by the Board.

The Board is scheduled to meet once a month with additional meetings convened, as and when deemed necessary. During the year 2010, twelve (12) Board meetings and three (3) Special Board meetings were held. All the directors had proportionately attended more than 50% of the Board meetings held for the full financial year of 2010, in compliance with the Bursa Malaysia Listing Requirements.

Directors who were unable to attend the Board meetings would review the relevant Board papers and thereafter convey their comments to the Chairman or the Company Secretary prior to the proceeding of the meetings.

Details of the Attendance of each Board member during the financial year 2010 are as follows:-

Directors	Number of Board Meetings attended/held (during the Directors' tenure)	Percentage
Non-Independent Executive		
Tan Sri Bashir Ahmad bin Abdul Majid	15 out of 15	100%
Non-Independent Non-Executive		
Tan Sri Datuk Dr. Aris bin Othman	15 out of 15	100%
Dato' Long See Wool	14 out of 15	93%
Izlan bin Izhab	12 out of 15	80%
Hajah Jamilah binti Dato' Hj Hashim	15 out of 15	100%
Mohd Nadziruddin bin Mohd Basri	15 out of 15	100%
Dyg Sadiah binti Abg Bohan	10 out of 15	67%
Independent Non-Executive		
Datuk Alias bin Haji Ahmad	14 out of 15	93%
Datuk Siti Maslamah binti Osman	13 out of 15	87%
Jeremy bin Nasrulhaq	13 out of 15	87%

Matters Reserved to the Board

The Board has a formal schedule of matters specifically reserved to it. These reserved matters include the following:-

- (a) Approval of the overall strategy, vision, values, and governance framework of the group;
- (b) Approval of the company's annual report and quarterly financial results;
- (c) Approval of any interim dividend, recommendation of the final dividend and the company's dividend policy;
- (d) Approval of the group's annual budget and amendments to that budget in relation to the amount, borrowing and security, acquisitions and disposals of tangible/non-tangible assets, and capital expenditure over a specified amount;
- (e) Approval of the company's long term financial plan and the annual capital expenditure programme;
- (f) Approval of any significant change in the accounting policies and practices;
- (g) Approval of all circulars, resolutions and corresponding documentation sent to the stakeholders;
- (h) Approval of changes in the capital structure of the company with regard to issuance or allotment of shares or other securities, or its status as a public listed company;

STATEMENT ON Corporate Governance

- (i) Appointment, re-appointment or removal of the Directors and the recommendation for their election or re-election for the consideration of the shareholders, pursuant to the Company's Articles of Association;
- (j) Appointment or removal of the company secretary;
- (k) Recommendation to shareholders for the appointment, re-appointment or removal of the external auditors;
- (l) Approval of the division of responsibilities between the Chairman and Managing Director; and
- (m) Approval for the establishment of the Board Committees, their terms of reference (i.e. membership and financial authority), reviewing their activities and, where appropriate, ratifying their decisions.

Quality of Information

The Chairman takes responsibility for ensuring that the Directors receive accurate, timely and clear information with regard to the Group's financial and operational performance, to enable the Board to make sound decision and provide the necessary advice, with all Board and Committee papers being issued in advance prior to the scheduled meetings. The Company Secretary will assist the Chairman to ensure that the process of disseminating the information is effective and reliable.

Under the current practice, Notices pertaining to all Board meetings are issued to the directors, at least 14 days from the date of the meeting, whilst the notices of the Board Committee meetings are circulated to the Committee members and all those invited to attend the meeting, at least 7 days before each meeting. The agenda and the board papers are circulated within 7 days from the date of the meeting. Furthermore, in order to provide an in-depth discussion of the respective matters within a reasonable and sufficient time, the Managing Director, together with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevancy and importance. Confidential papers or urgent proposals are presented and tabled at the Board meetings under special agenda.

The format and structure of the Board papers are such that they contain the right amount of details and are clear and concise, to enable the directors to comprehend on the subject matters within the first five minutes of reading. The format of the papers has been designed and presented into a short, and synthesised executive summary. This is to ensure that the Directors have a complete understanding of the issues to enable systematic decision making in a well-informed manner.

The quality and presentation of the Board papers are continuously being monitored to ensure that the messages had been clearly understood by the Board, with a precise articulation of the facts and analysis.

The summary of the minutes of meetings is also enclosed to ensure that decisions, requests and requirements were recorded accurately and could be tracked and monitored upfront for clarity and ease of reference, as well as for the Board's comfort that actions are being followed up. The Board may, if required, and in the best interest of time, refrain from considering any last minute agenda items during the proceedings of the Board meetings, unless the matter is of genuine and exceptional circumstances.

The minutes of each Board meeting are circulated together with the Board papers to all Directors for their perusal before confirmation of the minutes to be done at the following Board meeting which is one of the agenda of the meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as a correct record of proceedings of the Board.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from deliberations and decisions of the Board on the transaction. In the event a corporate proposal is required to be approved by shareholders, interested Directors will abstain from voting on the resolutions relating to the corporate proposals, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Access to Information and Advice

The Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs to enable them to discharge their duties. They also have full and unrestricted access to the advice and services of the Senior Management and the Company Secretary of the Group.

Besides holding formal Board meetings, the Chairman maintains regular contact with the Managing Director to discuss specific matters. Furthermore, the Managing Director ensures that frequent communication between the Senior Management team and the Board is presented at all times. Nevertheless, directors are free to arrange for meetings with the individual members of the Senior Management team and are always invited to attend these events and exhibitions organised by the Company.

Company Secretary

Sabarina Laila binti Dato' Mohd Hashim, the Company Secretary for the Group, is responsible for advising the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Group, as well as the best practices of governance. The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Company Secretary will also brief the Board on the proposed contents and timing of material announcements to be made to Bursa Malaysia.

Apart from playing an active role as the advisor to the Directors, the duties of the Company Secretary also include, amongst others, attending all Board and Board Committee meetings, ensuring that the proceedings of Board meetings and decisions made thereof, are accurately and sufficiently recorded, and properly kept for the purposes of meeting statutory obligations, as well as obligations arising from Bursa Malaysia Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and re-appointments of directors are in accordance with the relevant legislations, handling company share transactions, such as issuance

of new shares, arranging for payment of dividends and liaising with external auditors, lawyers, tax advisors, bankers and shareholders.

Independent Professional Advice

The Board allows the Directors, in furtherance of their duties, to obtain independent professional advice from external consultants, at the Company's expenses. Copies of any reports, advice and recommendations provided by the independent professional adviser to a respective Director, would be forwarded by the said Director to the Company Secretary, who will, where appropriate, circulate them to other Directors to ensure that they are kept informed of pertinent issues, which may have an impact on the Group's sustainability. However, there was no such advice sought by any Director during the year.

Appointment to the Board

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which is delegated to the Board Nomination & Remuneration Committee, with the membership comprising exclusively, non-executive directors, the majority of whom are independent. This composition of only non-executive directors in the Committee ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

STATEMENT ON Corporate Governance

The Board Nomination & Remuneration Committee is responsible for leading the selection, deliberation and proposal of suitable candidates for appointment as directors of the Board based on merit and on the needs of the Board and the Company's present situation and future strategic direction. The Committee is also responsible for assessing and ensuring, amongst others, that the candidate possesses technical competencies, a strong sense of professionalism and integrity, organisational and strategic awareness, and the ability to add value, as well as adherence to the highest standards of business conduct. The appointment process would begin with an evaluation of the composition of the Board, pertaining to balance of skills, knowledge and experience of the Board, at that juncture. Subsequently, the search for the potential candidates based on the description of the roles and capabilities required by the Board would be embarked upon by the members of the Board with the assistance of the Company Secretary. A list of potential candidates would be shortlisted through consultation with the Committee Chairman. Thereafter, a formal meeting of the Committee will be held to consider the merit of each candidate and to finalise a recommendation to the Board for deliberation and approval thereof.

The Committee is also responsible for evaluating the findings of the Board Performance Evaluation for the Board and the relevant Board Committees. Each Director's ability and capability will be individually self assessed by them, and any weaknesses identified would be discussed, and thereafter a plan would be formulated to address the gap.

The Committee, upon analysing the result of the annual Board performance evaluation, was satisfied that the size of the Board is sufficiently appropriate and that there is a good mix of knowledge, skills, attributes and core competencies in the composition of the Board. The Committee was also satisfied that all the Board members are suitably qualified to maintain their positions as Directors of the Board and members of the Committees in view of their respective academic and professional qualifications, experience and qualities.

Re-election of Directors

All directors, including the Managing Director, are subject to re-election by the shareholders at their first opportunity after their appointment, and are subject to re-election at least once every three (3) years, in accordance with Articles 129, 131 and 132 of the Company's Articles of Association. The re-election of directors at a regular interval not only promotes the creation of an effective Board, but also present the shareholders with the opportunity to gauge the performance of the directors.

The retiring directors who are seeking re-election would be subjected to performance assessment carried out by the Board Nomination & Remuneration Committee, which would then submit its recommendations to the Board for deliberation and approval. The Board would endorse a director for re-election if his or her performance is considered as satisfactory and meet the expected roles and responsibilities.

The Directors retiring at the Twelfth Annual General Meeting are Ahmad Jauhari bin Yahya, Mohd Izani bin Ghani, Datuk Alias bin Haji Ahmad, Jeremy bin Nasrulhaq and Izlan bin Izhab.

Izlan bin Izhab has advised that he does not wish to seek for re-election at the Twelfth Annual General Meeting.

The Board has determined that the performance of Ahmad Jauhari bin Yahya, Mohd Izani bin Ghani, Datuk Alias bin Haji Ahmad and Jeremy bin Nasrulhaq are subject to re-election, have continued to exemplify and demonstrate the highest commitment towards strengthening the effectiveness of the governance framework. Hence, the Board unanimously recommend that the shareholders vote in favour of the re-election of the four (4) Directors at the Company's Twelfth Annual General Meeting.



STATEMENT ON Corporate Governance

Directors over the age of seventy years old are also required to submit themselves for re-appointment annually, in accordance with Section 129 (6) of the Companies Act, 1965. Currently, the Company has no Directors who have reached the maximum age.

DIRECTORS' REMUNERATION

The Board Nomination & Remuneration Committee is responsible for the review, assessment and recommendation to the Board of Directors, the appropriate remuneration packages for the Directors, Managing Director, and to deliberate the remuneration package for the Senior Management of the Group. The component parts of the remuneration are structured as such, so as to link rewards to corporate and individual performance,

in line with the "Enhancing Business and Performance Management" Programme developed by the Group with the assistance and in consultation with the external consultants.

The Managing Director's remuneration comprises basic salary and other customary benefits which are competitive that reflect his performance for the year, whilst the non-executive directors' remuneration package, comprises fees and allowances, which reflect the individual's roles and responsibilities. The calibre of the non-executive directors serving the Company is essential in upholding the standards of Corporate Governance. The Board remuneration structure is reviewed by benchmarking the Chairman and the directors' remuneration against peer companies, locally and regionally, in order to align

the remuneration to at least around the 50th percentile of the appropriate peer group. The Board hopes the alignment of the remuneration package offered to the non-executive directors of the Company would continue to attract and retain directors of such calibre to provide the necessary skills and experiences required for the effective management and operations of the Group.

During the year, the Board Nomination & Remuneration Committee embarked upon a review of the overall remuneration policy for the Managing Director and recommended on specific adjustments in remuneration and/or reward payments that reflect his contribution to the Company, and which are competitive and are supportive with the Company's corporate objectives, culture and strategy.

The Chairman and Non-Executive Directors received the following fees in respect of the financial year 2010:-

	Fee	Chairman	Non-Executive Director
1.	Directors' Fee	RM8,000/month (Jan – May) RM10,000/month (June – Dec)	RM1,500/month (Jan – May) RM3,000/month (June – Dec)
2.	Meeting Allowance		
2.1	- Board Meeting	RM2,000/meeting	RM1,500/meeting
2.2	- Board Committee Meeting	RM1,000/meeting	RM500/meeting
2.3	- Subsidiary Meeting	RM1,500/meeting	RM1,000/meeting

The details of the total remuneration of Directors for the financial year 2010 are summarized as follows:-

Category	Salary, Bonus and Other Emoluments (RM)	Directors' Fees (RM)	Directors' Other Emoluments (RM)	Benefits in Kind (RM)	Total (RM)
Executive Director*					
Tan Sri Bashir Ahmad bin Abdul Majid	1,051,714	-	-	18,031	1,069,745
Total	1,051,714	-	-	18,031	1,069,745
Non-Executive Directors					
Tan Sri Datuk Dr. Aris bin Othman	-	110,000	65,500	16,600	192,100
Dato' Long See Wool	-	28,500	25,500	-	54,000
Izlan bin Izhab	-	28,500	24,000	-	52,500
Hajah Jamilah binti Dato' Hj Hashim	-	28,500	24,500	-	53,000
Mohd Nadziruddin bin Mohd Basri	-	** 28,500	** 26,000	-	54,500
Dyg Sadiyah binti Abg Bohan	-	28,500	25,500	-	54,000
Datuk Alias bin Haji Ahmad	-	28,500	36,000	-	64,500
Datuk Siti Maslamah binti Osman	-	28,500	29,500	-	58,000
Jeremy bin Nasrulhaq	-	28,500	25,500	-	54,000
Nik Roslini binti Raja Ismail					
(Alternate Director to Dyg Sadiyah binti Abg Bohan)	-	-	500	-	500
Total	-	338,000	282,500	16,600	637,100
Grand Total	1,051,714	338,000	282,500	34,631	1,706,845

* Being the Managing Director

** Inclusive of RM28,500 and RM26,000 paid to Khazanah Nasional Berhad, in respect of Directors' Fee and Other Emoluments provided for Mohd Nadziruddin bin Mohd Basri

STATEMENT ON Corporate Governance

The number of directors of the Company whose total remuneration fell within the specified bands during the financial year 2010 is tabulated, as follows:-

	Number of Directors	
	2010	2009
Executive Director:		
RM850,001 – RM900,000	-	-
RM900,001 – RM950,000	-	1
RM950,001 – RM1,00,000	-	-
RM1,000,001 – RM1,050,000	-	-
RM1,050,001 – RM1,100,000	1	-
Non-Executive Director:		
Less than RM50,000	1	9
RM50,001 – RM100,000	8	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	1

Board Committees

The Board of Directors delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of reference, to assist the Board in discharging its responsibilities:-

Board Committee	Key Functions
Board Audit Committee (BAC)	Review and evaluate performance of External Auditors and Internal Audit Division in ensuring efficiency and effectiveness of the company's operations, adequacy of internal control system, compliance to established policies and procedures, transparency in decision-making process and accountability of financial and management information.
Board Nomination & Remuneration Committee (BNRC)	Review, assess and recommend to the Board of Directors, remuneration packages of the executive director and senior management as well as to determine criteria for Board/Board Committees' membership, structure, responsibilities and effectiveness, and to formulate/review policies and procedures on human resource matters with regard to recruitment, appointment, promotion, transfer and secondment of employees, etc.
Board Finance & Investment Committee ("BF&IC")	Review and monitor the financial performance of the group, including the budgets, and monitor investment policy and portfolio of the group.
Board Risk Management Committee (BRMC)	Formulate the overall risk management, occupational safety and health, ICAO safety management system and information security strategy of the group and recommend for approval and/or approve (whenever applicable) any major risk financing decisions by the group.
Board Procurement Committee ("BPC")	Approve tender for contract value above RM5 million up to RM200 million, review and approve procurement policies and procedures, oversee and monitor the overall implementation of the Red Book on Procurement Guidelines, ensuring efficiency and effectiveness of procurement process, and support of national development objectives

The terms and reference of all the Board Committees have been reviewed and enhanced under the Improvement Programme to enable the respective Board Committees to focus their roles and responsibilities to ensure that there are no gaps or overlaps. Suffice to say that the implementation of the Improvement Programme has successfully increased the overall effectiveness of the Board Committees. Prior to the establishment of these Board Committees, their functions were assumed by the Board as a whole. The Chairman and members of each Board Committee shall be appointed by the Board. As a matter of good practice, the Chairmen of the various Board Committees will report the outcome of the Board Committee meetings to the Board, and the minutes of Committee meetings would also be presented at the Board meetings.

The composition of the Board Committees and the attendance of members at Board Committee meetings during the financial year 2010 are reflected as follows: -

Composition of the Board Committees

Director	BAC	BNRC	BF&IC	BRMC	BPC
Non-Independent Executive					
Tan Sri Bashir Ahmad bin Abdul Majid			M		
Non-Independent Non-Executive					
Tan Sri Datuk Dr. Aris bin Othman			C	C	C
Dato' Long See Wool				M	M
Izlan bin Izhab	M				
Hajah Jamilah binti Dato' Hj Hashim		M			
MohdN adziruddin bin Mohd Basri			M	M	
Dyg Sadiyah binti Abg Bohan		M	M		M
Independent Non-Executive					
Datuk Alias bin Haji Ahmad	M	C		M	M
Datuk Siti Maslamah binti Osman	C	M	M		
Jeremy bin Nasrulhaq	M	M			

Notes:-

C: Chairman, M: Member

STATEMENT ON Corporate Governance

Attendance at the Board Committee Meetings

Director	BAC	BNRC	BF&IC	BRMC	BPC
Non-Independent Executive					
Tan Sri Bashir Ahmad bin Abdul Majid			4/5		
Non-Independent Non-Executive					
Tan Sri Datuk Dr. Aris bin Othman			5/5	4/4	9/9
Dato' Long See Wool				2/4	5/9
Izlan bin Izhab	6/6				
Hajah Jamilah binti Dato' Hj Hashim		5/5			
Mohd Nadziruddin bin Mohd Basri			4/5	2/4	
Dyg Sadiyah binti Abg Bohan		5/5	4/5		7/9
Independent Non-Executive					
Datuk Alias bin Haji Ahmad	6/6	5/5		3/4	9/9
Datuk Siti Maslamah binti Osman	5/6	4/5	4/5		
Jeremy bin Nasrulhaq	6/6	5/5			

TERMS OF REFERENCE

The salient terms of reference of the Board Committees are as follows:

Board Audit Committee ("Audit Committee")

The Audit Committee comprises no fewer than four (4) members, all of whom are non-executive directors with majority being independent directors. At least one (1) member must be a member of the Malaysian Institute of Accountants,

or he/she complies with the requirement of paragraph 15.09 (1)(c) of the Bursa Malaysia Listing Requirements.

The terms of reference and summary of activities carried out by the Audit Committee are set out under the Audit Committee Report from pages 220 to 225 of this Annual Report.

The Audit Committee meets at least six (6) times during the financial year to carry out its functions. The Audit Committee is

also responsible for recommending the person(s) to be nominated to act as the external auditor and the remuneration and terms of engagement of the external auditor.

Under the Improvement Programme, the Audit Committee will also review its terms of reference at least once in every two (2) years to assess its relevancy and clarity.



STATEMENT ON Corporate Governance

Board Nomination & Remuneration Committee (“Nomination & Remuneration Committee”)

The Nomination & Remuneration Committee consists of at least three (3) members, all of whom shall be non-executive directors. The chairman and members of the Nomination & Remuneration Committee shall be appointed by the Board. The Committee’s main responsibilities and such other responsibilities as may be determined by the Board include, amongst others, the following:

Nomination

- (a) Determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board;
- (b) Review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees, including the required mix of skills and experience, core competencies which the non-executive directors should bring to the Board and other qualities in order to function effectively and efficiently;
- (c) Propose to the Board the responsibilities of the non-executive directors, including membership and chairmanship of the Board Committees;

- (d) Establish and implement processes for assessing the effectiveness of the Board as a whole, the Board Committees and for assessing the contribution of each director;
- (e) Evaluate on an annual basis, the effectiveness of each director’s ability to contribute to the effectiveness of the Board and the relevant Board Committees, and to provide the necessary feedback to directors in relation to their performance, the effectiveness of the Board Committees, and the effectiveness of the Board as a whole;
- (f) Review and set policies and procedures on human resources and employee matters (i.e. talent management);
- (g) Review and determine the level and make-up of key management positions; and
- (h) Develop policies and recommend appropriate proposals to facilitate the recruitment and retention of senior management, for which approval is required from the Board.

Remuneration

- (a) To establish and recommend to the Board the remuneration structure and policy for the Managing Director and the general managers, including the terms of employment or contract of employment/service, benefits, pensions or incentive scheme entitlement, bonuses, fees and

- expenses and any compensation payable on the termination of the service contract by the company and/or group and to review any changes to the policy, as necessary;
- (b) To review the Managing Director and the general managers’ goals and objectives and to assess their performance against these objectives as well as contribution to the corporate strategy;
- (c) To ensure that a strong link is maintained between the level of remuneration and individual performance against the agreed targets, with the performance-related elements of remuneration, forming a significant proportion of the total remuneration package of the Managing Director;
- (d) To establish, review and recommend the scheme of service for employees and the general remuneration policies and practices within the group; and
- (e) To recommend to the Board suitable short and long-term policies of having performance-related incentive schemes and to consider other matters as referred to the Committee by the Board.

Under the Improvement Programme, the Nomination & Remuneration Committee will also review its Terms of Reference at least once in every two (2) years to assess its relevancy and clarity.

Board Finance & Investment Committee (“Finance & Investment Committee”)

The Finance & Investment Committee comprises at least four (4) members and at least one (1) member must be a member of the Malaysian Institute of Accountants or fulfils the requirements which are more particularly set out in the Committee’s Terms of Reference.

The Chairman of the Company shall be the Chairman of the Finance & Investment Committee. The Finance & Investment Committee will conduct its meeting at least once every quarter and additional meetings as and when necessary.

The functions and duties of the Finance & Investment Committee are to:

- (a) Review the annual business plans and budgets and any supplementary budgets (half-yearly) and recommending them to the Board for approval;
- (b) Review and monitor the financial position and performance of the company and its group of companies on a quarterly basis;
- (c) Review and monitor the financial investment policy and financial investment portfolios of the company and its group of companies and report to the Board on a quarterly basis;

- (d) Consider and appoint investment managers to manage the financial investments of the company and its group of companies; and
- (e) Oversee current and future capital and financial resource requirements.

Under the Improvement Programme, the Finance & Investment Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

Board Risk Management Committee (“Risk Management Committee”)

The Risk Management Committee comprises at least four (4) members, made up of independent non-executive directors and non-independent non-executive directors. The members of the Risk Management Committee are appointed by the Board.

The responsibilities of the Risk Management Committee are to, inter alia:

- (a) Approve the overall Risk Management, Occupational Safety and Health (OSH), ICAO Safety Management System (SMS) and Information Security policies and strategies;
- (b) Oversee senior management’s responsibilities in managing risks including information security risks and safety to ensure that the risk management process is in place and functioning;

- (c) Review major risk and safety strategies, policies and risk tolerance standards proposed or to be proposed to the Board and to opine or make recommendations to the Board;
- (d) Review risk management, OSH, Safety and Information Security activities to ensure that all risks are taken into account in business plans and strategies;
- (e) Review the Corporate Risk Profile and understand the significant risks that affects the achievement of company’s objectives and ensure the implementation of appropriate systems to manage these risks;
- (f) Oversee the adequacy of resources for implementation of risk management and safety strategies, activities and initiatives; and
- (g) Ensure a risk management statement is included in the annual report confirming that risks are being identified, evaluated/assessed and that appropriate Management Action Plans are in place to manage and mitigate those risks effectively.

Under the Improvement Programme, the Risk Management Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

STATEMENT ON Corporate Governance

Board Procurement Committee ("Procurement Committee")

The Procurement Committee comprises at least three (3) members, made up of both independent non-executive directors and non-independent non-executive directors. The members of the Procurement Committee are appointed by the Board.

The general functions of the Procurement Committee are:

- (a) Ensure that the project and tender documents comply with the prescribed procurement policies and procedures;
- (b) Determine the tender evaluation criteria;
- (c) Approve qualified tenderers;
- (d) Appoint sub-committees for technical and commercial evaluations, as and when necessary;
- (e) Recommend to the Board on award of tender above Ringgit Malaysia Two Hundred (200) Million;
- (f) Approve tenders for amount from Ringgit Malaysia Five (5) Million up to Ringgit Malaysia Two Hundred (200) Million;
- (g) Review and approve procurement policies and procedures, including the anti-corruption policy and codes of conduct; and

- (h) Oversee and monitor the overall implementation of the Red Book on Procurement Guidelines, ensuring efficiency and effectiveness of procurement process, and support of national development objectives.

Under the Improvement Programme, the Procurement Committee will also review its Terms of Reference at least once every two (2) years to assess its relevancy and clarity.

SHAREHOLDERS

Relations with Major Shareholders and Stakeholders

The Stakeholder Management Committee, led by the Managing Director and the Chief Financial Officer of the Company and including, where appropriate, other members of senior management, will regularly hold meetings with the Company's major shareholders, namely Khazanah Nasional Berhad and its major stakeholders (which involve, the Ministry of Finance, Ministry of Transport, and Airlines, amongst others) to discuss the Company's strategy, financial performance and specific major investment activities.

Relations with Institutional Shareholders

The investor relations team is responsible for managing the day-to-day communications with institutional shareholders through briefings to fund managers, institutional investors and investment analysts, normally held after the release of the Group's quarterly financial results to Bursa Malaysia Securities Berhad. Press conferences are also held to brief the members of the media, and to highlight any significant events undertaken by the Group. All Non-Executive Directors have always been invited to the briefings, should they wish to.

Relations with Private Shareholders

Each year, shareholders would receive the annual report of the Company. The shareholders can also access up-to-date information on the Group's latest activities such as financial performance, Group background and future events throughout the year on the Company's official website at www.malaysiaairports.com.my, which has since been revamped with a new outlook to satisfy the discerning taste of our shareholders.

The Board acknowledges the importance of shareholders to be informed in prompt and timely manner of all material business matters affecting the Company. All announcements of quarterly financial results, change in the composition of the Board, etc are disclosed to Bursa Malaysia Securities Berhad within statutory timelines, with clear, accurate and sufficient information to enable shareholders and investors to make informed decisions. Likewise, all formal queries by Bursa Malaysia Securities Berhad and other regulatory authorities are expeditiously responded to.

Investor Relations

MAHB recognizes the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company's Investor Relations Policy aims to build long-term relationships with our shareholders and potential investors through appropriate channels for the management and disclosure of information. MAHB provides these investors with sufficient business, operations and financial information to enable them to make informed investment decisions.

MAHB hold analyst presentations in each quarter in 2010 in conjunction with the Group's quarterly financial results. The briefings include the corporate overview, review of business operations and financial performance, headline key performance indicators achievements and the business outlook for the Group.

In addition, MAHB organised regular one-on-one meetings with investment analysts and fund managers throughout the year. The analysts and fund managers briefings will continue to be held regularly in 2011.

MAHB have revamped its Investor Relations web portal in 2010, in line with MAHB's commitment towards corporate governance and best practice in investor relations. The website, www.malaysiaairports.com.my, provides a wealth of in-depth and up-to-date information for both existing and potential shareholders, with timely and accurate information about MAHB. The website also allows visitors to register and receive the latest information about MAHB, enhancing transparency, facilitate more effective communication with the investment community and promote Investor Relations best practice in the region.

Dividend Policy

The Company's dividend policy entails the payment of dividend at a payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest commencing from the financial year 2007. Nevertheless, the actual amount and timing of the dividend payments would depend on the Company's cash flow position, results of operations, business prospects, current and expected obligations, and such other matters as the Board of Directors may deem relevant.

Annual General Meeting

The Annual General Meeting (AGM) would normally take place at Pan Pacific Kuala Lumpur International Airport Hotel, Kuala Lumpur International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan, and formal notification is sent to the shareholders at least twenty one (21) days in advance. At the meeting, the Managing Director would conduct a business presentation, and shareholders are encouraged to ask questions about the Company's activities and prospects.

The Board believes that the AGM is an important forum to engage with shareholders, which allows the shareholders to gain direct access to the Board as well as the Company's External Auditors, to channel their queries, grievances or even opinion on how to further enhance the Company's performance.

STATEMENT ON Corporate Governance

The Board will regularly maintain a good dialogue with shareholders by proactively organising meetings, presentations and events, as a statement of the views of the shareholders on a range of issues from strategy to corporate governance.

Shareholders are also encouraged to contact the following personnel pertaining to investor relations matters:-

Faizal Sham bin Abu Mansor
Chief Financial Officer

The biography of Faizal Sham bin Abu Mansor is enclosed on page 150 of this Annual Report.

Contact Details

Tel: 603-8777 7004

Fax: 603-8777 7776

E-mail:

faizalmansor@malaysiaairports.com.my

A. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual audited financial statements and quarterly financial results announcement to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Board Audit Committee assists the Board by reviewing the information to be disclosed to ensure completeness, accuracy and adequacy.

The Board is fully aware of the changes in the accounting policies with the implementation of Financial Reporting Standards ("FRS") approved by the Malaysian Accounting Standards Board, and has adopted the relevant FRSs applicable for the Group's financial year 2010.

The adoption of the FRSs has changed a number of the Group's accounting policies. The principal effects of the changes in accounting policies resulting from the above adoption are set out from pages 260 to 295 of this Annual Report.

Internal Control

The Statement of Internal Control set out from pages 227 to 235 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with External Auditors

The Board Audit Committee and the Board place great emphasis on the objectivity and independence of the Group's External Auditors, Ernst & Young, in providing the relevant reports to shareholders. In order to ensure full disclosure of matters, Ernst & Young are regularly invited to attend the Committee's meetings as well as the Annual General Meeting. The Board Audit Committee also has discussions with the External Auditors and internal auditors at least twice in a year, without the presence of the Managing Director and Management, to discuss the adequacy of controls and any judgemental areas.

In order to ensure that the External Auditors' independence and objectivity are not compromised by the provision of non-audit services, the Board Audit Committee's practice is to exclude them from providing tax services, merger and acquisition exercise, due diligence, management, strategic and IT consultancy, and other non-audit and non-tax-related services unless the services offered by the External Auditors are more effective or competitively priced, and they are the expert in the field against the other providers.

Directors' Responsibility Statement

The Company and the Group's financial statements are drawn up in accordance with the applicable approved accounting standards, and the Board of Directors has the responsibility of ensuring that the financial statements of the Company and the Group give a true and fair view of the affairs of the Company and the Group. The Statement by Directors pursuant to Section 169 (15) of the Companies Act, 1965 is set out on page 246 of this Annual Report.

B. ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with paragraph 9.25 of the Bursa Malaysia Listing Requirements.

1. Option, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year 2010.

2. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Senior Management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year 2010.

3. Material Contracts

Neither the Company nor its subsidiary companies had entered into any material contracts, which involved the Directors and Major Shareholders' interest during the financial year 2010.

4. Non-Audit Fees

The amount of non-audit fees paid to the External Auditors, apart from the audit fees, during the financial year ended 31 December 2010, is as follows:-

External Auditors	Report	Total Paid (RM)
Ernst & Young	Professional services and advisory work on the application of the Financial Reporting Standard ("FRS") 139 for MAHB Group of Companies	85,000.00
	Reporting accountant fee for MAHB Group's issuance of debt securities	525,000.00
Total		610,000.00

5. Profit Guarantee

There was no profit guarantee given by the Company during the financial year 2010.

6. Revaluation Policy on Landed Properties

There was no revaluation of properties of the Company during the financial year 2010.

7. Share Buy-Back

There was no share buy-back exercised by the Company during the financial year 2010.

8. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year 2010.

This Statement on Corporate Governance was duly reviewed and approved by the Board of Directors of MAHB on 28 February 2011.

On behalf of the Board



Tan Sri Datuk Dr. Aris bin Othman
Chairman