

Corporate Governance Statement

1. INTRODUCTION

The Board of Directors (the “Board”) of the Company recognizes that the practice of good corporate governance in conducting the business and affairs of the Group with integrity, transparency and professionalism are key components for the Group’s continued growth and success. These will not only safeguard and enhance shareholders value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is pleased to report to the shareholders in particular and other stakeholders in general on the manner the Company has applied the Principles as set out in Part 1 of the Malaysian Code on Corporate Governance (“the Code”) as well as the extent of compliance with the Best Practices as set out in Part 2 of the Code.

2. COMPOSITION OF THE BOARD OF DIRECTORS

2.1 Composition, Size and Effectiveness of the Board

The Board is led and managed by an experienced Board with a wide range of expertise. The Board is primarily responsible for charting the strategic direction of the Group. The Board meets at least four (4) times a year with additional meetings convened as and when necessary.

The Board currently has 7 members comprising the Chairman (Non Independent Non Executive Director), Deputy Chairman (Non Independent Non Executive Director), Managing Director, 1 Non Independent Non Executive Director and 3 Independent Non Executive Directors. The Company is in compliance with the Bursa Securities Listing Requirements which require at least two directors or one-third of the total number of Directors, whichever is higher, to be Independent Directors. The Board retains full and effective control of the Company. The Managing Director has direct responsibilities for business operations whilst non-executive directors have the necessary skill and experience to bring independent judgments to bear on the issues relating to strategy, performance and resources. Key matters, such as approval of annual and interim results, acquisitions and disposals, material agreements, major capital expenditures, budgets and long term plans would require Board’s approval.

The Board views that the number and composition of the current Board members is sufficient and well-balanced for the Company to carry out its duties effectively, whilst providing greater assurance that no individual or small group of individuals can dominate the Board’s decision making.

To ensure that there is balance of power and authority, the roles of the Chairman/Deputy Chairman and Managing Director are separated and clearly defined. The Chairman/Deputy Chairman is primarily responsible for the orderly conduct and effectiveness of the Board, including but not limited to organizing information necessary for the Board to deal with the agenda of meetings, whilst the Managing Director is responsible for the operating units, organizational effectiveness and implementation of Board policies and decisions.

Other than the Chairman and the Managing Director, the shareholders or stakeholders may convey any concerns that they may have to the Chairperson of the Audit Committee, who is also an Independent Non Executive Director.

2.2 Principal Duties and Responsibilities

The Board assumes six principal stewardship’s responsibilities: -

- a. Reviewing and adopting a strategic plan for the Company. The Board will review and approve the 5 year strategic plan for the Group.

The strategic and business plan for the period 2008 – 2012 was tabled, discussed and approved by the Board at its meeting on 28 November 2007.

Additionally on an ongoing basis as the need arises, the Board will assess whether projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

Corporate Governance Statement

- b. Overseeing the conduct of the company's business to evaluate whether the business is being properly managed. At Board meetings, all operations matters will be discussed and expert advice will be sought if necessary.

The performances of the various operating units of the Group represent the major element of the Board agenda.

The Group uses Key Performance Indicator ("KPI") system as the primary driver and anchor to its performance management system, of which is continually refined and enhanced to reflect the changing business circumstances.

- c. Identifying principal risks and ensure the implementation of appropriate systems to manage these risks. The Group has set up a Risk Management Committee for this purpose to assist the Board.

The Board has approved the establishment of a Group Risk Management Committee ("GRMC") and the implementation of the Enterprise Risk Management framework. The principal objectives of the Enterprise Risk Management are, amongst others, to meet the strategies, goal and objectives of the Group; to safeguard financial and non-financial assets of the Group; to allocate and optimize the use of resources and to comply with policies, procedures, guidelines, laws and regulations.

The Company has appointed the Director – Legal & Corporate Services as its Group Chief Risk Officer.

The GRMC consist of the following members: -

- Director – Legal & Corporate Services
- Director - Poultry Integration & Manufacturing
- Director - Group Finance
- Other Heads of Division

The terms of reference of the GRMC: -

- Review and recommend to the Board of Directors the Enterprise Risk Management Policy and Framework;
 - Responsible for the Enterprise Risk Management Policies;
 - Ensure that Risk Management Department performs effective and efficient functions;
 - Monitor changes in business conditions parameters: -
This also includes review changes in the nature and extent of significant risks and the Company's ability to respond effectively to changes in its business and external environment;
 - Define risk priorities (through prioritization of severity and level of frequency of risks) and regularly assess the risk profile of the Company;
 - Evaluate allocation of resources/capital in the management of risks;
 - Evaluate the effectiveness of the infrastructure in place for managing specific risks while ensuring alignment with the Company's risk management strategy;
 - Receive reports on the outcome of risk assessment exercise;
 - Ensuring that appropriate training in risk awareness and risk management is conducted at all levels.
- d. Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.

The Board's responsibility in this aspect is being closely supported by the Group Human Resource, Group Quality and Employee Development Division. As the first step, the Board had in the beginning of 2007 engaged an external consultant to provide an overview proposal in respect of the Group's human policy. After several years of continuous efforts in emphasizing and communicating the importance of succession planning, the subject has now become an ongoing agenda being reviewed at various high-level management and operational meetings of the Group.

- e. Developing and implementing an investor relations programme or shareholder communications policy for the Company.

Corporate Governance Statement

Various strategies and approaches were employed by the Group including conducting press interviews and investor briefings so as to ensure that investors and shareholders are well-informed about the Group affairs and developments.

- f. Reviewing the adequacy and the integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

The Board's function as regard to fulfilling the above responsibility is supported and reinforced through the various Committees established at both the Board and management level. Aided by an independent function of the Group Internal Audit Division, the active functioning of these Committees through their regular meetings/discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Group's internal controls. Details on the Group Internal Audit functions are further discussed in the Internal Control Statement and Audit Committee Report in this Annual Report.

2.3 Relationship of the Board to Management

The Organisational Chart and the Group Authority Limits and Guidelines define, amongst others, the limits to management responsibilities. At the end of each financial year the Board will set KPI that should be achieved by the management for the next financial year.

In between meetings, the Managing Director meets regularly with the Chairman and other Board members (where necessary) to keep them abreast of current development. Circular Resolutions are used for determination of matters arising in between meetings.

2.4 Use of Board and Management Committees

The Group has formed several committees to facilitate the operations of the Group. Each committee has written terms of reference defining their scope, powers and responsibilities. The list of committees includes, amongst others: -

- i. Executive Committee
- ii. Top Management Committee
- iii. Audit Committee
- iv. Tender Committee
- v. Agreement Committee
- vi. Risk Management Committee

3. SUPPLY OF INFORMATION

Operations Meetings are held once a month during which the Managing Director will be briefed by management on all operational aspects of the Group. During the meetings, they will be furnished with information on the progress of the operating units i.e. activities, performance, planned projects and problems arising so as to enable the former to participate in problem solving and decision-making process. The Group has also established a Top Management Committee wherein Divisional Directors and Top Senior Executives will meet weekly to, amongst others, set the management direction of the Group and provide the general management and corporate leadership. The Top Management Committee is also to facilitate collective decision-making at the top management level.

Board Meetings are scheduled 4 times a year and additional meetings are held as and when required. The specific agendas tabled for the Board's deliberation are the key financial and operational results and performances of the Group, Company and its subsidiaries, strategic and corporate initiatives such as approval of corporate plans and budgets, acquisitions and disposals of material assets, major investments, and changes to management and control structure of the Group, including key policies, procedures and authority limits. The total number of Board Meetings held during the financial year was seven (7). The Directors are provided with adequate Board Papers together with the agenda and minutes of the previous meeting on a timely manner prior to the Board Meeting so as to give the Directors time to deliberate on the issues to be raised at the meeting. Pursuant to the revised Code issued in 2007, all conclusions and deliberations of the Board meetings were duly recorded and minutes kept by the Company Secretary.

Corporate Governance Statement

Directors have access to information within the Company and to the advice and services of the Company Secretaries. The Directors may also obtain independent professional advice, in furtherance of their duties. The Board is always provided with not just quantitative information but also those of qualitative nature that is pertinent and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting. These include current updates of the Group's performances and external factors that may influence its business.

4. NOMINATION AND REMUNERATION

(a) Procedure

In line with Johor Corporation's ("JCorp's") Group-wide corporate practice, the Board has approved that the functions of the Committee to be taken over by the Group Nomination and Remuneration Committee of JCorp ("JCorp Group NRC"), holding corporation of the Company. The Company is directly represented at the JCorp Group NRC by its Chairman, Deputy Chairman and Managing Director who are respectively the Chairman and official members of the JCorp Group NRC.

This approach in centralizing the Nomination and Remuneration functions is not an uncommon practice among top global companies and leading Multi National Corporations. The prime consideration is the strategic advantage that the JCorp Group NRC provides by allowing wider access and greater reach to a much larger pool of talent, skills and expertise as well as to benchmark remunerations on a group-wide basis.

For the terms of reference of the JCorp Group NRC and its member, please refer to page 52.

(b) Appointment of New Directors

The number and composition of Board membership are reviewed on a regular basis to ensure the effectiveness of the Board for the long term interest of the Company. In the event of a need to appoint new member(s) of the Board, JCorp Group NRC will nominate a qualified candidate with the required core competency to effectively discharge his/her role as a Director of the Company. In any case, the appointment of the Board Member(s) is effected only after the official approval by the Board.

(c) Re-election of the Board of Directors

In compliance with Paragraph 7.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all directors shall retire once at least in every 3 years.

In accordance with Article 89 of the Articles of Association of the Company, the following Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election: -

- (a) Kua Hwee Sim
- (b) Sheik Sharufuddin Sheik Mohd

5. DIRECTORS' TRAINING

The Board oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centres to have an insight on the Group's operations which would assist the Board to make effective decisions relating to the Group. All Board members have attended and completed the Mandatory Accreditation Programme ("MAP") as required by the Bursa Securities. Save and except for those Directors that were appointed after the repealed of Practice Note 15/2003 on 1 January 2005, each Director has also accumulated the requisite minimum 72 Continuing Education Programme points by 31 December 2005 as required by Bursa Securities. Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates. For the year under review, the Directors had continually kept abreast with the development in the market place with the aim of enhancing their skills, knowledge and experience in order to fulfill their duties as Directors.

Corporate Governance Statement

6. DIRECTORS' REMUNERATION

The remuneration framework for Executive Directors has an underlying objective of attracting and retaining directors needed to run the Company successfully. Remuneration packages of Executive Directors are structured to commensurate with corporate and individual's performance. The Non-Executive Directors are remunerated based on fixed annual fees approved by the shareholders of the Company.

The details on the remuneration of the Directors are as follows:

	Basic Salary RM	Fees* RM	Fees Subsidiary RM	Employer's Allowance RM	Employer's EPF RM	Benefits in-kind RM	Total RM
EXECUTIVE DIRECTORS							
Jamaludin bin Md Ali	259,200	-	-	54,000	31,104	52,235	396,539
Mohammad bin Alwi	144,000	-	1,000	54,000	17,280	15,800	232,080
	403,200	-	1,000	108,000	48,384	68,035	628,619
NON-EXECUTIVE DIRECTORS							
YBhg Tan Sri Dato' Muhammad Ali bin Hashim	-	50,000	-	17,500	-	-	67,500
Ahamad bin Mohamad	-	43,000	-	10,500	-	-	53,500
YBhg Dato' Dr Ridzuan bin Mohd Akil	-	36,000	-	13,000	-	-	49,000
YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail	-	36,000	-	9,000	-	-	45,000
Kua Hwee Sim	-	36,000	-	18,000	-	-	54,000
Wong Seng Lee	-	36,000	-	10,500	-	-	46,500
Sheik Sharufuddin bin Sheik Mohd	-	36,000	-	15,000	-	-	51,000
	-	273,000	-	93,500	-	-	366,500

* Fees to be approved at the forthcoming AGM

7. SHAREHOLDER RELATIONSHIP

The Group recognizes the importance of keeping shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via annual reports, quarterly financial results, circulars to shareholders and the various announcements released from time to time.

The management holds discussions and dialogues with analysts and investors on a regular basis. During the discussions and dialogues, presentations based on permissible disclosures are made to the analysts and investors to provide details on the Group i.e. financial performance, any major developments and future plans. Apart from the mandatory requirement to make public announcements via the Bursa Securities, the Group also disseminates information through press releases on corporate events, product launches and any significant developments of the Group.

In addition to the above, the Group has an interactive web-site available at <http://www.qsrbrands.com.my> to communicate with investors and the investing public. The web-site is being used as a forum to answer inquiries and provide information on the activities of the Group.

The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders of the Company. Besides the usual agenda of the Annual General Meeting, the Board presents the progress and performance of the business. Thereafter, the shareholders are presented with the opportunity to participate in question and answer sessions with the Directors.



Corporate Governance Statement

8. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgment and estimates. The Audit Committee assists the Board in ensuring the accuracy, adequacy and completeness of the information to be disclosed. The Statement by Directors pursuant to Section 169 of the Companies Act 1965 is set out in page 70 of the Annual Report.

The quarterly reports, prior to tabling to the Board of Directors for approval, will be reviewed and approved by the Audit Committee.

Internal Control

The Group's Statement on Internal Control is set out on page 60 of this Annual Report.

Relationship with the Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The external auditors meet and report their findings to the Audit Committee pursuant to their audit for each financial year.

The Group's internal audit department, reporting to the Audit Committee performs regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks impacting the Group. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.

The Report of the Audit Committee is set out in page 56 of the Annual Report.

9. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The provisions of the Companies Act, 1965 require the directors to be responsible in preparing the financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for the financial year then ended. In complying with these requirements, the directors are responsible for ensuring that proper accounting records are maintained and suitable accounting policies are adopted and applied consistently. In cases whereby judgment and estimates were required, the directors have ensured that these were made prudently and reasonably.

The Directors also ensured that all applicable accounting standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

In addition, the Directors are also responsible for safeguarding the assets of the Company by taking reasonable steps to prevent and detect fraud and other irregularities.