

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of MBfH (the “Board”) in acknowledgement of the importance of corporate governance towards the enhancement of stakeholders’ value, is supportive and has consistently instituted good corporate governance practices throughout the MBf Group. The corporate governance system of the MBf Group is based on values such as accountability, transparency, professionalism, integrity and efficiency.

MBfH adheres to the principles and best practices of corporate governance as stated in the Malaysian Code on Corporate Governance (Revised 2007) (“the Code”). The Board is pleased to present below the statement on corporate governance which affirms the MBf Group’s application of principles set out in the Code for the financial year ended 31 December 2009.

THE BOARD OF DIRECTORS

The Board with its present members has the necessary skills, expertise, experience, knowledge and qualities in charting the directions and goals of the MBf Group. The Board is responsible for strategic guidance of the Company and accountability to the stakeholders of the Company while the Executive Directors are responsible for implementing the decisions of the Board, overseeing and monitoring operations and formulating corporate strategies and business plans. The profile of Directors as presented in this Annual Report demonstrated a well balanced mixture of experience, expertise, business acumen and management skills in the Board.

a) Composition

During the year under review the Board comprised six (6) members with three (3) Executive Directors and three (3) Independent Non-Executive Directors. This is in compliance with paragraph 15.02 (1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) requiring at least two (2) or one-third (1/3) of the Board members, whichever is higher, to be independent directors.

b) Board Meetings

All the Directors had attended at least 50% of the total Board meetings held during the financial year.

Four (4) Board meetings were held during the financial year from 1 January 2009 to 31 December 2009. Details of the attendance of the Directors at the Board Meetings are as follows:-

Directors	Status	Attendance
Lee Chaing Huat	Independent	4 out of 4 meetings
Tan Sri Datuk Dr Ninian Mogan Lourdenadin	Executive	2 out of 4 meetings
Susan A/P Rajanayagam	Executive	4 out of 4 meetings
Martin Richard Haeger	Executive	4 out of 4 meetings
Datuk Azizan Bin Abd Rahman	Independent	4 out of 4 meetings
Abdul Rahman Bin Achmed	Independent	4 out of 4 meetings

c) Supply of Information

The Company ensures that all the Directors have full, unrestricted and timely access to information. Prior to each Board meeting, Directors are provided with an agenda and the necessary information on each item on the agenda of the meeting. These are issued in sufficient time to enable the Directors to obtain further information, if necessary, before the meeting and to facilitate informed decision making. Board meetings for the ensuing financial year are scheduled in advance to enable the Directors to plan ahead and improve on attendance of Board meetings.

All Directors have direct access at all times to the Senior Management, Company Secretaries, Internal and External Auditors and also information relating to the MBf Group's business and affairs in discharging of their duties. In addition, the Directors are regularly updated on new statutory and regulatory requirements; and where appropriate, they may consult any independent professional advisors at the Company's expense to enable them to discharge their fiduciary duties diligently.

The President and Chief Financial Officer are invited to brief the Board at the meetings. However, other parties, both internal and external may be invited to the Board meetings to provide further clarification to assist the Board in its deliberation of matters.

The Company Secretaries advise the Directors on compliance issues in accordance with the relevant procedures, rules, regulations and legislations affecting the Board and the MBf Group such as disclosure of Directors' interest in securities dealings, disclosure of conflict of interest and prohibited securities dealings in "closed periods".

d) Appointment and Re-election to the Board

In accordance with the Company's Articles of Association, one third (1/3) of the Directors shall retire by rotation at each Annual General Meeting, provided always that all Directors shall retire from office at least once in three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders. The Directors due to retire shall be the Directors who have been longest in office since their last election or appointment.

e) Board Committees

The Board has established Board Committees and delegated certain responsibilities to members to assist it in discharging its duties. The functions and terms of reference of each Board Committee are clearly defined and, where applicable, comply with the recommendations of the Code.

The Board Committees established are:-

i) Audit Committee

The Audit Committee comprised exclusively of three (3) Independent Non-Executive Directors. The composition and functions of the Audit Committee are presented in the Audit Committee Report in this Annual Report.

ii) Nomination Committee

The Nomination Committee which comprised exclusively of three (3) Independent Non-Executive Directors, meets as and when required. It evaluates and recommends candidates for appointments to the Board. In addition, the Nomination Committee continuously reviews and assesses the size and composition of the Board to ensure that it has the appropriate mix of skills, knowledge and competencies to lead the MBf Group effectively. The Board decides on the appointment of members to the Board after considering the recommendations of the Nomination Committee.

iii) Remuneration Committee

The Remuneration Committee comprised two (2) Independent Non-Executive Directors and the Managing Director. Its objective is to develop the remuneration policy and recommend to the Board the remuneration packages for the Executive Directors and certain key management staff with the aim to attract and retain personnel of high calibre to provide the necessary skills required for effective management of the MBf Group. The Board determines the remuneration of the Non-Executive Directors, with the approval from shareholders at the Annual General Meeting. The concerned Directors shall abstain from participation in decisions regarding their respective remuneration package. The Remuneration Committee had recommended the salary increment for 2010 and the 2009 bonus for the Company's staff to the Board for approval which was duly approved.

f) Directors' Remuneration

During the financial year ended 31 December 2009, the aggregate remuneration of the Directors categorised into the appropriate components were as follows:-

	Company RM'000	Subsidiaries RM'000	Total RM'000
Executive Directors			
Salaries and other emoluments	883	-	883
Fees	-	439	439
Bonus	210	-	210
Defined contribution plans	132	-	132
Estimated money value of benefits-in-kind	39	51	90
Total	1,264	490	1,754

Non-Executive Directors			
Fees	206	60	266
Total	206	60	266

Executive and Non-Executive Directors			
Salaries and other emoluments	883	-	883
Fees	206	499	705
Bonus	210	-	210
Defined contribution plans	132	-	132
Estimated money value of benefits-in-kind	39	51	90
Total	1,470	550	2,020

The number of Directors whose remuneration falls within the following bands are:-

	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	1
RM350,001 to RM400,000	1	-
RM400,001 to RM450,000	1	-
RM950,001 to RM1,000,000	1	-

g) Directors' Training

New Board members shall undergo an orientation and education programme upon their appointment. Directors also are encouraged to participate in continuous education programmes and training to update themselves on the changes in legislations, regulations and commercial risks.

All the Directors had attended and successfully completed the Mandatory Accreditation Programme in accordance with the Practice Note No. 5/2001 in relation to Paragraph 15.08 of the MMLR of Bursa Securities. The Company continuously updates

its Directors on all the programmes and seminars accredited under Bursa Securities' Continuing Education Programme for their consideration to participate.

Directors also continuously receive briefings and updates on the MBf Group's businesses and operations, risk management activities and new developments in the business environment. Apart from that, visits to the various operational sites have equipped the Directors with a thorough understanding of the MBf Group's operations.

There were also briefings by the external and internal auditors and the Company Secretaries on relevant updates on statutory and regulatory requirements from time to time during the Audit Committee and Board meetings.

SHAREHOLDERS

a) Communications with Investors and Shareholders

The Company recognises the importance of effective and timely communication with shareholders, institutional investors and the investing public at large. The Board is committed to ensure that the shareholders and investors are well informed of major developments in the MBf Group and the information is communicated to them through the following:-

- i) Annual Report; and
- ii) Various reporting and announcements to Bursa Securities, both periodic and ad-hoc.

Shareholders and investors may obtain current information on the Company and its major operating subsidiaries by accessing the following websites:-

- www.mbfh.com.my
- www.mbfcards.com
- www.mbfprinting.com.my
- www.carpenters.com.png
- www.carpenters.com.fj

The shareholders may also contact the Company Secretaries for information.

b) General Meetings

The Company's Annual General Meeting ("AGM") serves as a principal forum for dialogue with shareholders. Besides the usual agenda for the AGM, the Board also provides opportunities for shareholders to raise questions on the operations or any other matters of the MBf Group, where the Directors, Management and the MBf Group's external auditors would respond to shareholders' questions and provide clarifications.

Notice of AGM and Annual Reports are sent out with sufficient notice before the date of the meetings. The Statement Accompanying the Notice of the AGM and explanatory notes on the proposed resolutions under Special Business, if any, are provided to help shareholders to decide on their vote on the resolutions.

Where Extraordinary General Meetings are held to seek shareholders' approval on certain transactions, business or corporate proposals, comprehensive circulars are prepared and sent to shareholders within the timelines prescribed by the regulatory and statutory authorities.

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Directors aim to provide and present a balanced and comprehensible assessment of the MBf Group and Company's financial position and prospects to its shareholders, investors and the regulatory authorities. The quarterly and annual financial statements are prepared on a timely basis in accordance with approved accounting and reporting standards, consistently applied and supported by reasonable and prudent judgment and estimates.

The quarterly and annual financial statements are reviewed by the Audit Committee before recommending to the Board for approval to release to Bursa Securities.

b) Internal Control

The Code requires the Board to maintain and review its internal control procedures for the safeguard of shareholders' investment and the MBf Group's assets. The Statement on Internal Control set out in this Annual Report provides an overview of the system of internal controls within the MBf Group.

c) Relationship with Auditors

The Company has established a formal and transparent arrangement with the auditors, both internal and external, to meet their professional requirements through the Audit Committee. The Audit Committee has explicit authority to communicate directly with internal and external auditors. The Audit Committee meets with the external auditors at least twice a year.

Following completion of the audit of the financial statements of the MBf Group, any significant issues arising thereon will be highlighted to the Board by the external auditors through the issuance of Management Letters. For the year under review, the few highlighted issues had been resolved to the satisfaction of the external auditors.

OTHER COMPLIANCE INFORMATION

a) Share Buybacks

There was no share buyback by the Company during the financial year.

b) Options, Warrants or Convertible Securities Exercise

During the financial year, 100 warrants were exercised to subscribe for 100 new ordinary shares of RM1.00 each.

c) Depository Receipt ("DR")

The Company had on 23 September 1993 entered into a Deposit Agreement with The Bank of New York (now known as The Bank of New York Mellon) as Depository and Owners and Holders of DR to establish a Level-1 ADR program. The amended Deposit Agreement was signed on 23 August 1999.

Under the Deposit Agreement, ordinary shares of the Company shall be deposited from time to time with the custodians as agents of the Depository for the creation of DRs representing the shares so deposited in the ratio of 1:20. Each DR represents 20 ordinary shares of the Company at RM1.00 each.

As at 31 December 2009, the position of the Company's DR was as follows:-

- i) Malayan Banking Berhad was the sole custodian for the Company's DRs.
- ii) The total number of DRs outstanding was 18,079 representing 361,577 ordinary shares of RM1.00 each representing 0.063% of the Company's issued and paid-up share capital.
- iii) The Bank of New York Mellon was the depository bank for the DRs.
- iv) DRs are traded in an Over-The-Counter market in the United States of America.

d) Non-Audit Fees

The non-audit fees paid to external auditors by the MBf Group and Company for the financial year ended 31 December 2009 amounted to RM204,000 and RM41,000 respectively.

e) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or management by any of the regulatory authorities during the financial year.

f) Material Contracts Involving Directors and Major Shareholders

The material contracts of the Company and its subsidiaries involving Directors and major shareholders for the financial year ended 31 December 2009 are as disclosed in Note 45 to the financial statements.

g) Statement of Compliance with the Best Practices of the Code

The Board is satisfied that the MBf Group has complied with the best practices of the Code during the financial year under review. The Board is continuously ensuring full application of all the Principles in Part 1 of the Code and compliance of the Best Practices as recommended in Part 2 of the Code.

h) Statement of Directors' Responsibility in relation to the Financial Statements

In the preparation of the financial statements on a going concern basis as set out in this Annual Report, the Directors are of the opinion that:-

- The MBf Group and the Company had applied the appropriate accounting policies consistently;
- Reasonable as well as prudent judgments and estimates had been made; and
- All applicable approved accounting standards in Malaysia had been complied with.

The Directors are satisfied that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the MBf Group and the Company, which enable them to ensure that the financial statements comply with the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the MBf Group. The Directors have taken reasonable steps to safeguard the assets of the MBf Group to prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 46 of this Annual Report.

i) Variance of Actual Profit from the Forecast Profit

There was no forecast profit announced pertaining to the financial year.

j) Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

k) Contracts Relating To Loans

There were no other material loan contracts by the MBf Group involving Directors and major shareholders that were still subsisting at the end of the financial year ended 31 December 2009 except for those disclosed in Note 45 to the financial statements.

l) Revaluation of Assets

The MBf Group and Company do not revalue their landed properties.

m) Utilisation of Proceeds

There were no proceeds raised from any proposal during the year.