



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) recognises that good corporate governance is the cornerstone of a well-managed organisation and its responsibility to observe high standard of transparency, accountability and integrity. It also takes cognisance that high standards of corporate governance are essential to safeguard the interests of all the stakeholders and to enhance shareholders’ value.

The Malaysian Code on Corporate Governance - Revised 2007 (“the Code”) set out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework. Set out below is the manner on how the Group has applied such principles and the extent of compliance with the best practices of good governance as set out in the Code.

DIRECTORS

a) Board of Directors

The Board is primarily responsible for determining the Group’s strategic plans and directions, overseeing the conduct of the business, risk management, succession planning of senior management and ensuring the system of internal control and management information are in place and are effective.

The Board has within it, professionals drawn from various backgrounds bringing depth and diversity in experience, expertise and perspectives to set forth a synergy of strength in charting the directions of the Group. The profile of the directors as presented in this Annual Report demonstrates their range of qualifications and experiences.

b) Board’s Composition and Balance

During the year under review, the Board comprised six (6) members, three (3) Executive Directors and three (3) Independent Non-Executive Directors (“non-EDs”). This is in compliance with the Main Market Listing Requirements of Bursa Securities, which require that at least one-third (1/3) of the total number of directors to be independent.

The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations and development of business and corporate strategies. The non-EDs provide the necessary balance of power and authority to the Board. The presence of the non-EDs fulfils a pivotal role in corporate accountability as they do not participate in the day-to-day management of the Company or engage in any business dealings or have other relationship with the Company in order for them to exercise independent judgment and act in the best interest of the Company and its shareholders.

To maintain effective supervision and accountability of each of the Board members and the Management, the position of the Chairman and Managing Director are held by separate persons to ensure a balance of power and authority. The Chairman plays a crucial leadership and pivotal role for ensuring the Board works effectively whilst the Managing Director has overall responsibilities to ensure the Group’s business is properly and efficiently managed and to implement Board policies and decisions.

The Board is satisfied that the current composition is broadly balanced and considers its current size adequate given the present scope and nature of the Group’s business operations.

The Board does not find it necessary to designate a senior non-ED to whom concerns may be conveyed because full deliberation of issues affecting the Group by all the Board members is encouraged.

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c) Board Meetings

The Board meets regularly, at least on a quarterly basis with additional meetings convened if there are urgent issues concerning corporate proposals or matters that require expeditious direction from the Board.

During the financial year ended 31 December 2010, the Board met seven (7) times and the record of attendance of the meetings is set out below:-

Directors	Status	Number of Meetings Attended
Lee Chaing Huat	Independent	7 out of 7
Tan Sri Datuk Dr. Ninian Mogan Lourdenadin	Executive	4 out of 7
Susan A/P Rajanayagam	Executive	7 out of 7
Martin Richard Haeger	Executive	7 out of 7
Datuk Azizan Bin Abd Rahman	Independent	7 out of 7
Abdul Rahman Bin Achmed	Independent	6 out of 7

d) Supply of Information

The agenda and board papers for each board meeting are circulated to all the Directors for their review in advance of the scheduled meetings to provide them opportunity to seek clarification and sufficient time to study the issues to be deliberated at the Board meetings. Amongst others, the board papers provide information such as reports on the Group's financials, operational and corporate issues and the minutes of meetings of Committees of the Board.

A formal agenda facilitates the effective conduct of meetings with adequate time allocated for discussion. The President and Chief Financial Officer are invited to the meetings. Other senior management staff may be invited to the Board meetings to provide additional insight into matters to be discussed. In addition, advisers and professional appointed by the Company in connection with corporate proposals such as merchant bankers and solicitors may also be invited to attend Board meetings to provide the Board with their professional opinions and explanations on the transaction in deliberation and to clarify issues raised by the Board.

The Directors in their individual capacity or as a full Board have full and unrestricted access to all information pertaining to the Group. The Directors also have the advices and services of the Company Secretaries and senior management staff at all times to aid in the proper discharge of their statutory and fiduciary duties. The Directors may engage independent professionals at the Company's expense, if necessary, in the course of their duties.

e) 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 to retire shall be the Directors who have been longest in office since their last election or appointment.



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f) Board Committees

The Board has established Board Committees and delegated certain responsibilities to them to assist 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 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 comprised exclusively three (3) Independent Non-Executive Directors and it meets as and when required. It evaluates and recommends candidates for appointment to the Board. In addition, the Nomination Committee is also responsible to review and assess the size and composition of the Board to ensure that it has the appropriate mix of skills, knowledge and competencies to lead the 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 Group. The Board determines the remuneration of the Non-Executive Directors which is subject to 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 2011 and the 2010 bonus for the Company's staff to the Board for approval which was duly approved.

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g) Directors' Remuneration

During the financial year ended 31 December 2010, the remuneration of the Company's Directors categorised into the appropriate components were as follows:-

Executive Directors	Company RM'000	Subsidiaries RM'000	Total RM'000
Salaries and other emoluments	960	-	960
Fees	-	463	463
Bonus	226	-	226
Defined contribution plans	142	-	142
Estimated money value of benefits-in-kind	32	43	75
Total	1,360	506	1,866

Non-Executive Directors			
Fees/Total	226	60	286

Executive and Non-Executive Directors			
Salaries and other emoluments	960	-	960
Fees	226	523	749
Bonus	226	-	226
Defined contribution plans	142	-	142
Estimated money value of benefits-in-kind	32	43	75
Total	1,586	566	2,152

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	-
RM500,001 to RM550,000	1	-
RM950,001 to RM1,000,000	1	-



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h) 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 prescribed by 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 Group's businesses and operations, risk management activities and new developments in the business environment.

There were also briefings by the external and internal auditors and the Company Secretaries on the 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 Group and the information is communicated to them through the following:-

i) Annual Report

The annual report which contains the corporate information, financial and operation reviews of the Group's business remains a key channel of communication with stakeholders.

ii) Announcements to Bursa Securities

The various corporate disclosure and announcements were made including the timely release of quarterly results of the Group.

iii) Website of the Group

Shareholders and investors may obtain up to date 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



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b) General Meetings

The Company's Annual General Meeting ("AGM") serves as a principal forum for dialogue with shareholders. Notice of AGM and Annual Report are sent to shareholders at least twenty-one (21) days before the date of the meeting. 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 Group, where the Directors, Management and the Group's external auditors will respond to shareholders' questions and provide clarifications.

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

At the AGM, shareholders are accorded both time and opportunity to express their views or raise questions in connection with the Company's financial performance and business operations. The Directors and senior management as well as the Auditors of the Company are present at the AGM to respond to any questions raised by the shareholders.

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

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Directors aim to provide and present a balanced and comprehensive assessment of the 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 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 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 Group, any significant issues arising thereon will be highlighted to the Board by the external auditors with the issuance of Management Letter. For the year under review, the few highlighted issues had been resolved to the satisfaction of the external auditors.



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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, 30 warrants were exercised to subscribe for 30 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 Mellon (formerly known as The Bank of New York) 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. The DRs are traded in an Over-The-Counter market in the United States of America.

As at 31 December 2010, 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 shares held through the DRs was 343,377 ordinary shares of RM1.00 each, representing 0.06% of the Company’s issued and paid up share capital.
- iii) The Bank of New York Mellon was the depository bank for the DRs.

d) Non-Audit Fees

The non-audit fees paid to external auditors by the Group and Company for the financial year ended 31 December 2010 amounted to RM659,000 and RM54,000 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 2010 are as disclosed in Note 38 to the financial statements.



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g) 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 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.

The Directors are satisfied that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the 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 Group. The Directors have taken reasonable steps to safeguard the assets of the 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 in the ensuing section of this Annual Report.

h) Variance of Actual Profit from the Forecast Profit

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

i) Profit Guarantee

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

j) Contracts Relating To Loans

There were no other material loan contracts by the Group involving Directors and major shareholders that were still subsisting at the end of the financial year ended 31 December 2010 except for those disclosed in Note 38 to the financial statements.

k) Revaluation of Assets

The Group had conducted a valuation exercise on all its land and buildings with the purpose to ascertain the fair value of these properties and re-assessed the feasibility of its development plans, especially those in Fiji in light of the local economic climate.

The above revaluation of land and buildings had resulted in a net revaluation surplus of approximately RM261.04 million (net of deferred tax of RM89.61 million) thereby increased the net assets per share of the Group by approximately RM0.45. The effect of the revaluation had been incorporated into the financial statements of the Group for the year ended 31 December 2010.

l) Utilisation of Proceeds

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

This statement is made in accordance with the resolution of the Board of Directors dated 29 April, 2011.