

# STATEMENT ON CORPORATE GOVERNANCE

## INTRODUCTION

The Board of Directors of MBfH (the “Board”) has consistently instituted good corporate governance practices in 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 of Corporate Governance-Revised 2007 (the “Code”) and the Board is pleased to set out below the statement on corporate governance.

## 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 operations and formulating corporate strategies. The profile of directors as presented in this Annual Report demonstrates a well balanced mix of experience and expertise 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 Listing Requirements 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 2008 to 31 December 2008. Details of the attendance of the Directors at the Board Meetings are as follows:-

Directors	Status	Attendance
Lee Chaing Huat (Appointed on 1 May 2008)	Independent	3 out of 3 meetings
Tan Sri Datuk Dr Ninian Mogan Lourdenadin	Executive	2 out of 4 meetings
Susan A/P Rajanayagam	Executive	2 out of 4 meetings
Martin Richard Haeger	Executive	4 out of 4 meetings
Datuk Azizan Bin Abdul Rahman	Independent	3 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 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. 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 Group's business and affairs in discharging their duties. In addition 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.

**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 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 them to assist in discharging its duties. Each Board Committee has clearly defined functions and terms of reference.

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 set out in the Audit Committee Report in this Annual Report.

**ii) Nomination Committee**

The Nomination Committee comprised exclusively of 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 continuously reviews and assesses the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively. The Board decides 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 set 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 the personnel of good caliber. The Board determines the remuneration of the Non-Executive Directors. The concerned Directors shall abstain from participation in decisions regarding their respective remuneration package. The Remuneration Committee had recommended the salary increment for 2009 and the 2008 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 2008, the aggregate remuneration of the Directors categorised into the appropriate components were as follows:-

	Company (RM'000)	Subsidiaries (RM'000)	Total (RM'000)
<b>Executive Directors</b>			
Salaries and other emoluments	868	-	868
Fees	-	189	189
Bonus	150	-	150
Defined contribution plans	122	-	122
Estimated money value of benefits-in-kind	47	43	90
<b>Total</b>	<b>1,187</b>	<b>232</b>	<b>1,419</b>

<b>Non-Executive Directors</b>			
Fees	189	60	249
Estimated money value of benefits-in-kind	1	-	1
<b>Total</b>	<b>190</b>	<b>60</b>	<b>250</b>

<b>Executive and Non-Executive Directors</b>			
Salaries and other emoluments	868	-	868
Fees	189	249	438
Bonus	150	-	150
Defined contribution plans	122	-	122
Estimated money value of benefits-in-kind	48	43	91
<b>Total</b>	<b>1,377</b>	<b>292</b>	<b>1,669</b>

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

	Executive Directors	Non-Executive Directors
Below RM50,000	-	1
RM 50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	1
RM300,001 to RM350,000	1	-
RM350,001 to RM400,000	1	-
RM700,001 to RM750,000	1	-

**g) Directors' Training**

The 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 15.09 of the Listing Requirements 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.

**SHAREHOLDERS****a) Communications with Investors and Shareholders**

The Company recognises the importance of communication with shareholders and investors. 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 up to date information on the Company and its major operating subsidiaries by accessing the following websites:-

- [www.mbfh.com.my](http://www.mbfh.com.my)
- [www.mbfcards.com](http://www.mbfcards.com)
- [www.carpenters.com.png](http://www.carpenters.com.png)
- [www.carpenters.com.fj](http://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 Group.

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, 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, be they, 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 true and fair view of the affairs of the MBf Group and Company 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.

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 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 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 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.

**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, 70 warrants were exercised to subscribe for 70 new ordinary shares of RM1.00 each.

**c) American Depository Receipt (“ADR”)**

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 ADR 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 ADRs representing the shares so deposited in the ratio of 1:20. Each ADR represents 20 ordinary shares of the Company at RM1.00 each.

As at 31 December 2008, the position of the Company's ADR was as follows:-

- i) Malayan Banking Berhad was the sole custodian for the Company's ADRs.
- ii) The total number of ADRs outstanding was 18,195 representing 363,897 ordinary shares of RM1.00 each representing 0.064% of the Company's issued and paid up share capital.
- iii) The Bank of New York Mellon was the depository bank for the ADRs.
- iv) ADRs 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 2008 amounted to RM455,000 and RM150,000 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 2008 are as disclosed in Note 45 to the financial statements.

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

The Board confirms that high standards of corporate governance had been practiced throughout the MBf Group 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 as set out in this Annual Report, the Directors are of the opinion that:-

- The Group and the Company had used the appropriate accounting policies and applied them consistently;
- Reasonable and prudent judgements 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. They have taken such steps that are reasonably available to them to safeguard the assets of the MBf Group and to prevent and detect fraud and other irregularities.

**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 2008 except for those disclosed in Note 45 to the financial statements.

**l) Revaluation of Assets**

The Group and Company do not revalue their landed properties.

**m) Utilisation of Proceeds**

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