

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of MPH Capital Berhad (“the Company” or “MPH Capital”) is committed in ensuring that good corporate governance is practised throughout the Group as a fundamental part of discharging its responsibilities to protect the interest of all stakeholders, enhance shareholders’ value and for long-term sustainable business growth.

The Board is mindful of the need to regularly review the Group’s corporate governance practices with the view of ensuring that they remain relevant in meeting the challenges of the business environment.

The Board is pleased to outline below the key aspects of how the Group has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“the Code”).

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Board Charter

The Board recognises the role it plays in charting the strategic direction and managing the business and affairs of the Group, including ensuring compliance with the Group’s corporate objectives.

The Board adopted a Board Charter, which outlined the composition, roles and responsibilities, processes and procedures of the Board and the various Board Committees to facilitate their effective functions. The Board Charter is available on the Company’s corporate website at www.mphbcap.com.my. The Board will review the Board Charter on a yearly basis to ensure that it remains consistent with the Company’s strategic plan and direction.

The duties and responsibilities of the Board are clearly outlined in the Board Charter as follows:

- (a) To review, approve and monitor the Group’s overall strategic and financial plans.
- (b) To oversee the Group’s business operations and financial performance to ensure that the businesses are being effectively managed.
- (c) To identify principal risks and ensuring the implementation of appropriate internal control system and mitigation measures to manage risks.
- (d) To review the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.
- (e) To develop and implement policies and/or programmes for effective communication with shareholders and/or investors.
- (f) To consider emerging issues which may be material to the Group’s business and affairs and ensure that the Group has proper succession plan for senior management.

The Board plays an active role in reviewing and monitoring the Group’s overall strategic and financial plans. The Board reviews and approves on a yearly basis the proposed business plan and budget of the Group at the Board Meetings.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.1 Board Charter (Cont'd)

The Board reviews and oversees the Group's business operations and financial performance on a regular basis by monitoring the Group's financial results against the budget and the preceding quarter's results. The Board is updated by the Senior Management of the Group's key strategic initiatives, business targets and significant operational issues at the Board Meetings. The Board also deliberates and evaluates the feasibility of business propositions and corporate proposals as well as any principal risks that may have a significant impact on the Group's business.

The Board adopted an internal Corporate Disclosure Policy for the proper handling of confidential and/or material information to prevent any improper use or leakage of such information. This policy sets out the levels of authority to be granted to designated officers for disclosure of material information to the shareholders and the public to ensure compliance with the Listing Requirements. The Group employs its best efforts to ensure that no disclosure of material information is made on a selective basis to any parties unless such information has been previously been disclosed and announced to Bursa Malaysia Securities Berhad.

The Board recognises the importance of ensuring that there is an effective and orderly succession planning for the Group's key management positions. During the year, the Group has implemented various leadership and staff development programmes for identified candidates within the Group as preparation for internal pipeline of talents to assume critical management and operational positions in the Group.

1.2 Clear Segregation of Roles and Responsibilities

There is a clear segregation of responsibilities between the Chairman and the Executive Director to ensure there is an appropriate balance of power, authority and accountability at the Board level. The Chairman of the Board provides overall leadership to the Board in decision making and is responsible for the orderly conduct of the Board to ensure that no one individual has unfettered powers of decision making.

The Executive Director and the Chief Executive Officer are responsible for the day-to-day management of the Group's business operations and execution of decisions of the Board. Non-Executive Directors play a key supporting role, contributing their knowledge and experience in the decision making process and towards the formulation of the Company's goals and policies.

The Board has adopted a formal Authority Chart, which clearly spells out the applicable approving limits for matters reserved for the Board's approval, and those that the Board have delegated to the Senior Management (including the Executive Director and the Chief Executive Officer), who are responsible for the execution of the Board's policies and decisions. Key matters reserved for the Board's approval include the financial results, budget and business plan, declaration of dividend, acquisition and disposal of material assets/investments, and major restructuring proposals.

1.3 Promoting Ethical Standards

(a) Whistle Blowing Policy

The Board has established a Whistle Blowing Policy to provide an avenue for employees of the Group to report any genuine concerns about possible improprieties relating to unethical/improper conduct, financial reporting, non-compliance with regulatory requirements and other malpractices through internal channels.

The Audit Committee is tasked with responsibility to implement the Whistle Blowing Policy. All whistle blowing reports are to be submitted to the Audit Committee Chairman and shall be investigated promptly by the Audit Committee with the assistance of the Internal Auditors, the Human Resources Department and the Legal Department (where applicable). The Audit Committee shall be updated on the progress of investigation not later than the next scheduled meeting of the Audit Committee of the Company.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.3 Promoting Ethical Standards (Cont'd)

(b) Code of Business Conduct and Ethics for Directors

As part of the Board's continuous efforts to ensure good corporate governance practices, the Board has adopted a Director's Code of Business Conduct and Ethics ("Code of Conduct"). The Code of Conduct sets out the standards of ethical behaviors and business conduct to be observed by the Directors in carrying out their responsibilities and in their business dealings with external parties. A copy of the Code of Conduct is available at the Company's website.

The main principles of the Code of Conduct are as follows:

- To avoid any conflict of interest;
- To avoid any misuse of position for personal advantage/benefit/preferential treatment in any way;
- To avoid any misuse of information for personal gains or for any purpose other than intended by the Company;
- To observe confidentiality of information;
- To avoid any improper use of the Company's assets.

The Directors have the duty to declare immediately to the Board of their interests in any transaction to be entered into directly or indirectly with the Company/Group. The interested director shall abstain from all deliberations and decision making of the Board on the transaction. In the event where a corporate proposal is required to be approved by the shareholders, the interested Directors will abstain from voting in respect of their shareholdings in the Company and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolution.

1.4 Strategies Promoting Sustainability

The Group endeavours to promote sustainable growth in every aspects of the Group's business through the continuous review and repositioning of its business strategies in order to achieve competitive advantage. At workplace, the Group is committed to promote staff welfare through the provision of attractive remuneration and fringe benefits, a safe and healthy working environment as well as equip the staff with the relevant skillsets.

1.5 Access to Information and Advice

The Board has direct access to the Management, including the advice and services of the Company Secretary and has full unrestricted access to information in relation to the Group's business and affairs, whether as a full board or in their individual capacity. The Directors may request to be provided with additional information or clarification on complex/technical issues relating to the affairs of Group in order to make informed and timely decision. The Directors are at liberty to seek independent professional advice at the Company's expense, if necessary, after consultation with the Board.

The Board is updated by the Chief Executive Officer on the Group's operations and performance and the status of implementation of all strategic plans. The agenda for Board Meetings, together with the detailed reports and proposition papers to be tabled at the Board Meetings, are circulated to all the directors with sufficient time for their perusal and consideration prior to each Board Meeting.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.6 Company Secretary

The Company Secretary and her team support the Board in fulfilling its fiduciary duties and leadership role in shaping the corporate governance practices of the Group. The Company Secretary facilitates timely communication of decisions made and policies set by the Board to the Management for action to be taken. The Company Secretary attends and ensures that all Board meetings are properly convened, and that proper records of the proceedings and resolutions passed are maintained in the statutory registers at the registered office of the Company. The Board is regularly updated by the Company Secretary on the new statutory/regulatory requirements required to be observed by the Directors and/or the Company. The Company Secretary also serves notice to the Directors and principal officers to notify them of the closed periods for dealing in the Company's shares pursuant to the provisions of the Listing Requirements.

The Company Secretary is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and she is qualified to act as company secretary under Section 235(2) of the Companies Act, 2016. During the year, the Company Secretary has attended the relevant continuous professional development programmes to keep herself abreast with the changes in the statutory and regulatory requirements. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its duties and responsibilities.

2. STRENGTHEN COMPOSITION

2.1 Composition of the Board

As at 31 December 2016, the Board has 5 members, comprising a Non-Executive Chairman, an Executive Director and three Non-Executive Directors, of which two are Independent Non-Executive Directors. The size and composition of the Board are adequate to provide for a diversity of views and the effective stewardship of the Company. The number of independent directors, which represents one-third of the Board, fulfils the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements").

The Board members are persons of high calibre and they are from diverse backgrounds with expertise and skills in the areas of medical science, business management, property management, project management, corporate affairs, banking, stockbroking, finance, accounting, corporate finance/advisory and system consulting. They have a sound understanding of the Group's business. A brief profile of each Director is set out in this Annual Report.

The Board's policy is to ensure that the mix of skills and profiles of the Company's Board members, in terms of age, ethnicity, gender, business experience and personal skills, provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company's operations. The Board's current composition with one female Director reflects the Board's commitment towards achieving a more gender diversified Board. The Board will review and consider the appointment of additional woman director taking into consideration of the combination of skills, experience and diversity necessary to strengthen the composition of the Board.

2.2 Board Committees

The Board has established four (4) Board committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Risk Management Committee to assist the Board in discharging its fiduciary duties and responsibilities.

The Board Committees review and deliberate in details the issues within their terms of reference and make the necessary recommendations to the Board with regards to the matters under their review. The Board remains fully responsible for the effective control of the Company.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Board Committees (Cont'd)

(a) Nomination Committee

The Nomination Committee comprises the following non-executive directors, the majority of whom are independent directors.

Tan Sri Dato' Dr Yahya bin Awang - Chairman
(Independent Non-Executive Director)

Dato' Lim Tiong Chin - Member
(Non-Independent Non-Executive Director)

Mr Kuah Hun Liang - Member
(Independent Non-Executive Director)

The Nomination Committee is primarily responsible for the following:

- (i) To consider, evaluate and recommend suitable candidates for appointment to the Board.
- (ii) To assess the performance and effectiveness of the Board as a whole, the Board Committees and each individual Director on an annual basis. It includes the assessment of independence of the independent directors.
- (iii) To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies as well as the balance between Executive Directors, Non-Executive Directors and Independent Directors.

Activities of the Nomination Committee

During the financial year 2016, the Nomination Committee met two(2) times, which were attended by all members.

The Nomination Committee has undertaken the following activities during the year 2016:-

- (a) Annual assessment of the performance and effectiveness of the Board as a whole and the individual Directors.
- (b) Annual review of the overall composition of the Board in terms of the appropriate size, mix of skills, experience, core competencies and board balance.
- (c) Annual review of the composition, functions, performance of the Board Committees.
- (d) Annual assessment of the independence of its independent directors.
- (e) Assessment of the training needs of the directors of the Company.
- (f) Review and assessment of the proposed re-appointments of directors prior to submissions to Bank Negara Malaysia.
- (g) Annual review of the term of office and performance of the Audit Committee and each member of the Audit Committee.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Board Committees (Cont'd)

(a) Nomination Committee (Cont'd)

Assessment of the Performance of the Board and Board Committees

The Board has established an annual performance evaluation process to assess the performance of the Board and Board Committees, as well as the performance of each Director and each member of the Board Committees. The Board is assessed in areas such as board conduct, board processes, board accountability, board governance, succession planning and interaction with management and stakeholders. For the individual director's self-assessment, the criteria include integrity, commitment, leadership, knowledge, capability and communication ability.

The Board Committees are assessed based on the following criteria:-

- (i) Whether the Committees have the right members' composition.
- (ii) Whether the Committees are providing appropriate recommendations in assisting the Board in making more efficient and effective decisions.
- (iii) Whether the communications by the Board Committees are of sufficient quality.
- (iv) Whether the Board is well informed on a timely basis regarding the Committees' deliberations.
- (v) Whether the Committees had carried out their duties effectively in accordance with their terms of reference.

The Nomination Committee also assesses the independence of Directors based on the criteria as specified in the Listing Requirements, which include factors such as the relationship between the independent director and the Company and his involvement in any significant transaction with the Company.

(b) Audit Committee

The details of the composition, terms of reference and activities of the Audit Committee during the year are set out in the Audit Committee Report in this Annual Report.

The Audit Committee assists the Board to review the Group's financial reporting process, the system of internal control, the audit process and the Group's process for monitoring compliance with laws and regulations, and such other matters which may be delegated by the Board.

(c) Remuneration Committee

The Remuneration Committee comprises the following directors, the majority of whom are independent non-executive directors:

Tan Sri Dato' Dr Yahya bin Awang - Chairman
(Independent Non-Executive Director)

Tan Sri Dato' Surin Upatkoon - Member
(Non-Independent Non-Executive Director)

Mr Kuah Hun Liang - Member
(Independent Non-Executive Director)

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. STRENGTHEN COMPOSITION (CONT'D)

2.2 Board Committees (Cont'd)

(c) Remuneration Committee (Cont'd)

The responsibilities of the Remuneration Committee include the formulation of the remuneration policy such as rewards and benefits and other terms of employment of the Executive Director as well as for the Senior Management and staff. The Remuneration Committee held one(1) meeting during the year, which was attended by all members.

(d) Risk Management Committee

The Risk Management Committee comprises the following non-executive directors, the majority of whom are independent directors:-

Tan Sri Dato' Dr Yahya bin Awang - Chairman
(Independent Non-Executive Director)

Dato' Lim Tiong Chin - Member
(Non-Independent Non-Executive Director)

Mr Kuah Hun Liang - Member
(Independent Non-Executive Director)

The responsibilities of the Risk Management Committee shall include the following:

- (a) To ensure that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature and complexity of its activities.
- (b) To review and assess the adequacy of the Group's risk management policies and framework and ensure adequate infrastructure, resources and systems are in place for effective risk management of the Group.
- (c) To identify and review any significant risks that exist in the Group and ensure that steps are taken to mitigate the risks within the Group's risk appetite.

The Risk Management Committee held one(1) meeting during the year, which was attended by all members.

2.3 Nomination and Appointment of Directors

The Company's procedures for appointment/re-appointment of directors are in line with the relevant provisions under the Bank Negara Malaysia's Policy Documents on Fit and Proper Criteria, the Financial Services Act, 2013 ("FSA") and the Listing Requirements. Under the procedures, the Nomination Committee proposes the nominees for appointment/re-appointment to the Board, and recommends to the Board on the appointment and re-appointment of directors, subject to the approval(s) of Bank Negara Malaysia ("BNM").

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Nomination and Appointment of Directors (Cont'd)

The Nomination Committee has established the following process for selection or nomination of suitable candidates to be appointed as directors:-

- Stage 1 : Identification of candidates
- Stage 2 : Meeting up with the candidates (where feasible)
- Stage 3 : Evaluation of suitability of candidates
- Stage 4 : Final deliberation by the Nomination Committee
- Stage 5 : Recommendation to the Board

The Nomination Committee considers, among others, the following criteria in making recommendations to the Board on suitable candidates for appointment as Directors:

- (a) Whether the candidate have key qualities such as honesty, personal/financial integrity, diligence and professionalism.
- (b) Whether the candidate possesses the necessary qualification, training, skills, expertise, practical experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role as a director of the Company effectively.
- (c) Whether the candidate has the commitment to effectively fulfill the role and responsibilities as a director, having regard to his existing directorships and other commitments.
- (d) Whether the candidate is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.
- (e) Whether the candidate complies with the Guidelines on Fit and Proper Criteria issued by BNM, the relevant provisions under the FSA and the provisions of the Listing Requirements governing the directors of listed issuer.

The Board will decide or approve the appointment or re-appointment of directors based on the recommendations of the Nomination Committee.

2.4 Remuneration of Directors

The objective of the Group's remuneration policy is to attract, retain and motivate directors with the necessary calibre, expertise and experience to lead and manage the Group effectively. In the case of the Executive Directors, the remuneration package are linked to the corporate and individual performance. For Non-Executive Directors, the quantum of fixed fee takes into consideration of the directors' increased fiduciary duties and responsibilities, accountability to shareholders, memberships in Board Committees and performance and scope of business of the Group.

The Board has established a formal and transparent process for approving the remuneration of Non-Executive Directors and the Managing/Executive Directors. The Remuneration Committee is responsible for reviewing and approving the remuneration packages of the Managing/Executive Directors; and also reviewing the directors' fees of the Non-Executive Directors and making the recommendations on the same to the Board for endorsements. The Directors' fees for Non-Executive Directors are then tabled for the approval by the shareholders.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. STRENGTHEN COMPOSITION (CONT'D)

2.4 Remuneration of Directors (Cont'd)

The aggregate remuneration of Directors of the Company in respect of the financial year ended 31 December 2016 categorised into appropriate components is as follows:-

Directors of the Company	Number of Directors			
	2016		2015	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM1 to RM50,000		1*		
RM50,001 to RM100,000		2	-	1
RM100,001 to RM150,000		1	-	2
RM300,001 to RM350,000	1		1	-
RM450,001 to RM500,000			1	-
RM1,800,001 to RM1,850,000	1	-	-	-
RM2,300,001 to RM2,350,000			1	-

Note:

* The Managing Director had resigned on 30 September 2016 and subsequently, he was appointed as a Director on 18.11.2016.

3. REINFORCE INDEPENDENCE

3.1 Independent Directors

The Board has adopted a nine-year policy for Independent Directors of the Company. The two Independent Directors of the Company had served the Board for less than 9 years.

The presence of Independent Directors on the Board brings unbiased and independent views, advice and judgement to the decision making of the Board as well as safeguarding the interest of minority shareholders. For the financial year under review, the two(2) Independent Directors of the Company, namely, Tan Sri Dato' Dr Yahya bin Awang and Mr Kuah Hun Liang have affirmed their independence based on the criteria of Independent Directors as prescribed under the Listing Requirements.

The Nomination Committee has assessed and concluded that the two(2) Independent Directors of the Company have continued to be independent, and they have demonstrated that they have exercised unbiased and independent judgements in the discharge of their duties as Independent Directors. None of the independent directors had any business or other relationship which could materially interfere with their exercise of independent judgement, objectivity or the ability to act in the best interest of the Company.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

4. FOSTER COMMITMENT

4.1 Time Commitment and Board Meetings

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors as reflected in the Directors' record of attendance at the Company's Board meetings held in the financial year 2016 as follows:

Name of Directors	Total Number of Board Meetings Attended in 2016
Tan Sri Dato' Dr Yahya bin Awang	6/6
Tan Sri Dato' Surin Upatkoon	6/6
Ms Ivevei Upatkoon	6/6
Dato' Lim Tiong Chin	6/6
Mr Kuah Hun Liang	6/6

The directorships held by the Board members in public listed companies do not exceed the number of directorships as prescribed under the Listing Requirements. Under the Company's Board Charter, Directors are required to notify the Board for accepting any new appointment as director in other companies. This is to ensure that the Directors are committed and focused on the affairs of the Group and there is no conflict of interest to enable them to discharge their duties effectively.

The Company plans its Board meetings' dates ahead of time and has obtained the commitment from the Directors on their availability to attend the Board Meetings.

4.2 Training

During the year 2016, the Nomination Committee has assessed the training requirements of the directors. The details of the training attended by the Directors in 2016 are set out below:-

Directors	Title of Training
Tan Sri Dato' Dr Yahya bin Awang	Briefing by Messrs Ernst & Young ("EY") on "The New Auditors' Report – Implementing the New and Revised International Standards on Auditing".
Tan Sri Dato' Surin Upatkoon	<ul style="list-style-type: none">Briefing by EY on "The New Auditors' Report – Implementing the New and Revised International Standards on Auditing".Financial Institutions Directors' Education ("FIDE") Core Programme (Insurance – Module A).
Dato' Lim Tiong Chin	<ul style="list-style-type: none">Briefing by EY on "The New Auditors' Report – Implementing the New and Revised International Standards on Auditing".FIDE Core Programme (Insurance Modules A and B).

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

4. FOSTER COMMITMENT (CONT'D)

4.2 Training (Cont'd)

Directors	Title of Training
Mr Kuah Hun Liang	<ul style="list-style-type: none">Briefing by EY on "The New Auditors' Report – Implementing the New and Revised International Standards on Auditing".Board briefing by PWC on (1) Understanding Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") Risks; (2) Social Media Governance; (3) South East Asian Banking: Perfect Storm, A Case for Change; (4) MFRS 9 "Financial Instruments".FIDE forum on Financial Technology.
Ms Ivevei Upatkoon	<ul style="list-style-type: none">Briefing by EY on "The New Auditors' Report – Implementing the New and Revised International Standards on Auditing".Sustainability Engagement Series for Directors/Chief Executive Officer organised by Bursa Malaysia Berhad.FIDE Core Programme (Insurance Modules A and B).FIDE Elective Programme on current issues in Corporate Governance.

The Directors will continue to undergo other relevant training programmes to upgrade themselves to effectively discharge their duties as Directors.

5. UPHOLDING INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting

The Board is committed to ensure that the interim financial statements and annual financial statements of the Company present a balanced, clear and meaningful assessment of the financial performance and prospects of the Group.

The Audit Committee is entrusted with the responsibility of reviewing the integrity and reliability of the Group's interim and annual financial statements as well as ensuring that these financial statements comply with the relevant accounting and regulatory requirements prior to recommending for the Board's approval. The Audit Committee also reviews the appropriateness of the Group's accounting policies and the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Company and the Group is presented in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

5. UPHOLDING INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.2 Relationship with External Auditors

The Audit Committee has established a formal and transparent relationship with the external auditors. During the year 2016, the Audit Committee had met with external auditors once without the presence of the Management to discuss the Group's audited financial statements for the year ended 31 December 2015 and any matters arising from the audit. The external auditors have given a written assurance to the Audit Committee in relation to the audit of the Group's audited financial statements that they are independent in accordance with the By-laws of the Malaysian Institute of Accountants.

The current engagement partner for the audit of the financial statements of the Company has been in place since 2013. The external auditors are required to rotate the engagement partner responsible for audit of the financial statements of the Company/Group every five years.

The services provided by the external auditors include statutory audit and non-audit services. The details of the non-audit services provided by the external auditors are set out in Additional Disclosures section in this Annual Report. The terms of engagement for the services rendered by the external auditors are reviewed by the Audit Committee and approved by the Board. During the year, the Audit Committee had reviewed the proposed fees for audit and non-audit services and subsequently, recommended to the Board for approval. In their review, the Audit Committee ensured that the independence and objectivity of the external auditors are not compromised.

5.3 Assessment of the Performance and Independence of External Auditors

The Audit Committee has assessed/reviewed the performance and independence of the external auditors of the Company based on the criteria approved by the Board. The assessment process by the Audit Committee is conducted through the completion of a detailed questionnaire covering the factors/criteria as set out below, after obtaining feedbacks from the Finance Department which regularly interacts with the external auditors:

- (a) The engagement partner's qualification, knowledge and experience to perform his duty as external auditor.
- (b) The external auditors' quality control processes and its process for internal review of accounting judgements.
- (c) The number of man days spent by the engagement and concurring partners in the audit of financial statements of the Company/Group after taking into consideration of the size and complexity of the Company's/Group's operations.
- (d) The level of engagement between the external auditors and the Audit Committee and whether the external auditors have provided independent views in the discussions with the Audit Committee.
- (e) Whether the external auditors have updated the Audit Committee on significant issues concerning the Group, new developments (including the applicability of new and significant accounting standards) and its impact on the Group.
- (f) Whether the external auditors have provided any constructive observations and recommendations in areas which required improvements particularly with regards to the internal control system relating to financial reporting of the Group.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

5. UPHOLDING INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.3 Assessment of the Performance and Independence of External Auditors (Cont'd)

- (g) Whether the external auditors have met its performance targets in terms of the following:
- (i) The adequacy of the external auditors' scope of audit;
 - (ii) The external auditors' effectiveness in planning and conduct of their audit of the financial statements of the Company/Group;
 - (iii) The external auditors' performance against the agreed duration set by the Company;
 - (iv) The timeliness of the external auditors' response to the issues raised by the Company.
- (h) The external auditors' level of commitment towards ensuring their staff's continuity on the audit of the financial statements of the Company and the Group.
- (i) Whether the provision of non-audit services by the external auditors has impaired the external auditors' objectivity, judgement or independence.
- (j) Whether the external auditors have shown to be independent and objective in their audit of the financial statements of the Company/Group.

The Audit Committee is satisfied with the performance, technical competence and audit independence of the external auditors. The Audit Committee is of the view that the provision of non-audit services by the external auditors did not impair their objectivity, judgement or independence.

6. AUDIT AND RISK MANAGEMENT

6.1 Risk Management and Internal Controls

The Board is responsible in ensuring the implementation of risk management system to identify, assess and monitor material risks of the Group as well as maintaining a system of internal controls that provide reasonable assurance of effective and efficient operations and compliance with internal procedures, guidelines, laws and regulations.

The Risk Management Committee reviews the adequacy of the Group's risk management policies and framework and ensure adequate infrastructure, resources and systems are in place for effective risk management of the Group.

6.2 Internal Audit Function

The Group's internal audit function is carried out independently by its Group Internal Audit Department ("GIAD"), which reports to the Audit Committee ("AC"). It reviews, assesses and highlights significant risk impacting the Group's operations and its system of internal controls. The internal auditors adhere to the standards of best professional practice in accordance to the Institute of Internal Auditors and any other relevant guidelines and recommendations from the relevant authorities.

The GIAD conducts its audit based on approved internal audit plans. The frequency of audit on each business or operational units is determined by the level of risk assessed with greater focus is set on higher risk areas. All audit reports detailing the audit findings and recommendations are provided to the Management with their response on the actions to be taken. GIAD submits to the AC the reports on key audit findings and actions to be taken by the Management and updates the status on audit activities.

The overview of the state of internal control and risk management within the Group is set out in the Statement on Risk Management and Internal Control in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

7. ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

The Board endeavours to provide its investors/shareholders with timely and accurate information on the Group's major developments through disclosures and/or announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company announces its performance to Bursa Securities on a quarterly basis and issues its Annual Report on an annual basis to provide shareholders/ investors with information on the Group's business review, financial performance and governance framework. The Board and the Senior Management take reasonable steps to ensure the accuracy and completeness of the information contained in the disclosures and/or announcements made to Bursa Securities.

The Company has established a website, www.mphbcap.com.my, which the shareholders and members of the public can access for corporate information and new events relating to the Group.

8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

8.1 Annual General Meeting

The Board regards the Annual General Meetings ("AGM") as an important avenue for communication and dialogue with its shareholders. During the AGMs, shareholders are accorded the opportunity and time to raise questions and seek clarifications on the agenda items and on matters relating to the affairs, operations and prospects of the Group. The Board members, Senior Management and the external auditors are present at the AGMs to respond to shareholders' queries.

8.2 Investors' Relations

The Company has, from time to time, held meetings and dialogues with investors and financial analysts to convey information regarding the Group's progress, performance and business strategies. Press interviews were also conducted on significant corporate developments to keep the investing community and shareholders updated on the major developments of the business of the Group.

The Board has identified Tan Sri Dato' Dr Yahya bin Awang, the Chairman of the Board, to whom shareholders may direct any concerns in respect of the Group.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied substantially with the principles and recommendations of the Code.

This Corporate Governance Statement was approved by the Board on 31 March 2017.