INTRODUCTION

The Board Charter sets out the composition, roles and responsibilities and processes of the Board.

The conduct of the Board is also governed by the Articles of Association of the Company.

The Board Charter is also intended to provide a concise overview of:

1. a strategic guidance and effective oversight of management;

2. clarification of the roles and responsibilities of the Board, individual director, chairman, chief executive officer and management to facilitate the Board, individual director, chairman, chief executive officer and management's accountability to the Company and its shareholders;

3. delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and

4. Board operating procedures and practices pertaining to meetings, trainings and developments, code of conduct and declarations on conflicts of interest.

BOARD STRUCTURE

A. Composition

The number of directors shall not be less than 3 not more than 15 as set out in the Company's Articles of Association.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company must ensure that at least 2 directors or 1/3 of the Board, whichever is the higher, are independent directors. If the number of directors of the Company is not 3 or a multiple of 3, then the number nearest 1/3 must be used.

B. Appointment and Re-election

The Board is responsible to determine the appropriate size of the Board and the appointment of new director is a matter for consideration and decision by the Board, upon the recommendation from the Nominating Committee ("NC"). The NC will consider the required mix of skills, experiences, other qualities and diversity, including gender, where appropriate, which the Director should bring to the Board.

In accordance with the Company's Articles of Association, one-third (1/3) or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting. A retiring Director is eligible for re-appointment. It provides that any new or additional Director appointed by the Board during the year shall hold office until the next Annual General Meeting and shall then be eligible for re-election. The election of each Director is voted separately.

ROLES AND RESPONSIBILITIES

Responsibilities of the Board

1. Understanding shareholders' expectations and contribute to the development of strategies in their best interest and enhance shareholder value;
2. Conscious balance of other stakeholders' interest, where appropriate, in line with Government's policies and increasing shareholders' value;
3. Ensuring that the statutory accounts of the Company are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
4. Adopting performance measures to monitor implementation and performance of the strategy, policies, plans, legal and fiduciary obligations that affect the business;
5. To ensure high standards of ethics and corporate behaviour in the conduct of business;

6. Commitment in governing management and providing oversight of the Company, including the appointment of senior management, the implementation of appropriate policies and procedures that govern management conduct, the monitoring of performance and succession planning;
7. Commitment to understanding and implementation of appropriate measures to manage key risk factors of the Company; and
8. Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems.

Responsibilities of Individual Director

Directors are accountable to their shareholders and should use their best efforts to ensure that the Company and Group are properly managed and constantly improved so as to protect and enhance shareholders' value, and to meet the Company's obligations to all parties with which the Company interacts, its stakeholders. Their responsibilities include, amongst others, the following:

1. Directors are appointed to act in the interests of the Company and an important area of their legal responsibilities derives from trust law - the fiduciary duty to act in the interests of the company, which includes the interests of the shareholders;
2. They are under a duty to exercise reasonable skill and care in the discharge of their functions;
3. Directors are required to exercise the utmost good faith towards the company in all their actions and to act honestly in the exercise of the powers and in the discharge of their duties of their offices;
4. Directors are expected to be actively involved not only in Board meetings but general meetings of shareholders;
5. Acquiring knowledge about the business of the Company and Group, the statutory and regulatory requirements affecting effective discharge of their duties, and are aware of the physical, political and social environment in which it operates;
6. Assisting the Chairman in providing the Company and Group with effective leadership; and
7. Being available to advise management between Board meetings when necessary.

Responsibilities of Chairman

The Chairman is elected by the Board members to provide leadership at Board level and represents the Board to the shareholders and other stakeholders. The Chairman is responsible for ensuring integrity and effectiveness of the Board and its committees.

The Chairman is required, amongst others, to:

1. Facilitate all Board meetings and ensure the appropriate level of interaction among Board members, subsidiary Board members and senior management;
2. Ensure a balance composition of skills, knowledge and experience within the Board and an effective working, reporting and communication mode;
3. Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making;
4. Monitor the performance of the individual and collective roles of the directors and the Board;
5. Maintain a regular and constructive dialogue with the Chief Executive Officer and senior management in respect of all material matters affecting the Company and the Group and to consult with the other Board members promptly and appropriately; and
6. Chair all meetings with the shareholders i.e. Annual General Meeting, Extraordinary General Meeting.

Responsibilities of Chief Executive Officer

The Chief Executive Officer provides executive leadership and is accountable to the Board for the implementation of the strategies, objectives and decisions of the Board within the framework of delegated authorities, values and policies of the Company. The Chief Executive Officer is appointed by the Board on recommendation of the Remuneration and Nomination Committee.

The Chief Executive Officer is accountable to the Board, amongst other things, the following:

1. The Chief Executive Officer has a direct reporting line to the Board and not to the shareholders of the Company. The Chief Executive Officer is the link between the Board and management of the Company;
2. Develop and recommend to the Board the long-term strategy and vision of the Company and its quantified expression by way of critical performance targets;
3. Develop and recommend to the Board the annual business plans, budgets, actions plans and risk management policies that support the Company's long term strategy that reflect current business environment and trends;
4. Ensure management of day-to-day business affairs, continuous improvement and development, maintenance, implementation, formulation and achievement of corporate policies and strategies sanctioned by the Board;
5. Ensure that the Company has an effective management team and structure, management development program and succession plans;
6. Ensure that effective internal Company and Group controls and governance measures are deployed; and
7. Serve as chief spokesperson of the Company and Group.

Responsibilities of the Management

The responsibilities of the Management, in general, are:

1. Developing and proposing for the Board's approval, strategic plan and annual budget for the Company to ensure achievement of the objectives set by the Board;
2. Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
3. Running and managing the operations of the Company in a proper manner and in accordance with the Board's approved strategic plan within the authority limit set by the Board;
4. Setting up of an appropriate and effective internal control measures and risk management framework. Identifying, assessing key risks, managing and monitoring key risks;
5. Assisting the Board in the establishment of Company or Group's policies by developing such policies for the Board's review and approval for Company and Group's adoption and implementing the approved policies;
6. Developing effective management information and internal control systems of the Company to ensure that integrity and adequacy of the systems are intact;
7. Reporting to the Board periodically on the performance of the Group against the approved plan and budget as well as other matters that is under the Board's purview in order to enable the Board to discharge its responsibilities effectively; and
8. Reporting to the Board on matters that required their decision/approval or of significance to the Company and Group.

Responsibilities of Board Committees

The Board has set up different Board committees with different functions to assist the Board in discharging its fiduciary duty. These committees do not make decision on behalf of the Board and the Company. It is each committee's duty to review the matter under its purview and make the necessary recommendation to the Board for its consideration and decision making.

Audit Committee

The functions of Audit Committee are:

(i) to review the following and report the same to the Board of Directors:

a) with the external auditors:

i) the external audit plan,
ii) the evaluation of the system of internal controls; and
iii) the external audit report.

b) assistance given by the Company's officers to the external auditors;

c) adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;

d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

e) the quarterly financial reports and year end financial statements, prior to the approval by the board of directors, focusing particularly on:

- changes in or implementation of major accounting policy changes;
- significant and unusual events;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.
- significant transactions not forming a normal part of the Company's operations;
- significant adjustments proposed by the external auditors.

f) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

g) letter of resignation from the external auditors, if any; and

h) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment.

(ii) To consider the nomination of external auditors.

(iii) To review the scope of audit and general extent of the external auditor's examination, including their engagement letter.

(iv) To review with the Company's management, external auditors and the internal auditor, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.

(v) To discuss with the external auditors any relevant recommendations, which the external auditors may have, especially those in their letter of comments and recommendations. Topics to be considered during this discussion include improving internal financial controls, the selection of accounting principles, and management reporting systems. Review written responses of management to the letter of comments and recommendations from the external auditors.

(vi) To evaluate the cooperation received by the external auditors during their examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs. Enquire the external auditors whether there have been any disagreements with management, which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.

(vii) To review the scope and results of the internal audit procedures and discuss with the Company management the remedial actions taken on the areas that need improvement.

(viii) To apprise the Board of Directors, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.

(ix) To perform such other functions as may be agreed to by the Audit Committee and the Board of Directors.

Nominating Committee

The functions of Nominating Committee are:

i) to recommend to the Board of Directors the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s);
ii) to recommend to the board, directors to fill the seats on board committees;
iii) to assess the effectiveness of the board as a whole, the committees of the board and the contribution of each existing individual director and thereafter, recommend its findings to the board; and
iv) to review the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board and thereafter, recommend its findings to the Board.

Remuneration Committee

The function of Remuneration Committee is to recommend to the Board, the remuneration packages of Executive Chairman, Managing Directors and executive directors of the Company in all its forms, drawing from outside advice as necessary.

The remuneration packages of non-executive directors should be determined by the Board of Directors as a whole subject to the shareholders' approval.

BOARD PROCESSES

Processes and procedures for convening Board meeting

Scheduling of Board meetings
The Board meets at least 4 times every year based upon a schedule set on a yearly basis.

Apart from the pre-scheduled Board meetings, the Board may for the purpose of urgent matters, convenes ad-hoc Board meetings at any time during the year.

Agenda item for Board meetings
The agenda of the meeting is decided upon focusing on matters that requires Board's decisions, approvals, directions and on items that are truly the Board's responsibility.

The Secretary shall discuss with the Senior Management on the agenda item. The final agenda for the meeting would be given to the Chairman for his approval and clearance.

Any Director may request for inclusion of any matter in the agenda for a particular Board meeting. The request must be sent 10 days before the meeting for the Chairman's approval.

Board meeting materials distributed in advance
The Group Accountant will inform/remind the relevant head of departments to submit their report/materials on presentation to the Group Accountant/Secretary at least 8 days before the meeting.

All meeting materials/reports/papers as well as the notice and agenda will be compiled in a meeting file to be distributed to all the Directors within an appropriate timeline for perusal. In case where the subject matter/agenda item is price sensitive or otherwise confidential or in a state of flux, the presentation is directly made at the meeting.

Convening a Board Meeting
The quorum necessary for the transaction of business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall comprise two (2) Directors.

Questions arising at any Board meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes, the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue, the Chairman shall not have a casting vote.

Board and Directors Professional Development

The Board is required to be kept up-to-date with current business, industry, regulatory and legislative developments and trends that will affect the Company and Group's business operations.

The Board and its Director professional development are:

1. Newly appointed Board members are mandated to attend the Mandatory Accreditation Programme as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad within 4 months from the date of appointment;
2. Newly appointed Board members, when taking up office, are to attend the Company's induction program, where they are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business and the environment and markets in which the Group operates;
3. Formal training and continuous education programs and workshops for the directors encompassing topics on directorship, business, industry, regulatory and legislative; and
4. Informal sessions and discussion forums for the directors to share experiences and have constructive deliberations.

Code of Business Conduct and Ethics

The Board commits itself and its Directors to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly,

1. Directors must represent unconflicted loyalty to the interests of the Company and Group. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other boards or staff. It also supersedes the personal interest of any Board member acting as a consumer of the Group's services;
2. Directors may not attempt to exercise individual authority over the Company and Group except as explicitly set forth in the Articles of Association and any group policy and procedure manual in existence. This curtails interaction with the management, public, press and other entities;
3. Directors will respect the confidentiality appropriate to issues of a sensitive nature;
4. Directors must avoid conflict of interest with respect to their fiduciary responsibilities.
5. Directors should have a clear understanding of the aims and purpose, capabilities and capacity of the Company;
6. Directors should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;
7. Directors should ensure at all times that the Company is properly managed and effectively controlled;
8. Directors should stay abreast of the affairs of the Company and be kept informed of the Company's compliance with the relevant legislation and contractual requirements;
9. Directors should insist on being informed on all matters of importance to the Company in order to be effective in corporate management;
10. Directors should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director is his own judge of his abilities and how best to manage his time effectively in the Company in which he holds directorship. Directors shall notify the Board Chairman before accepting new directorship and such notification shall include indication of time to be spent on the new appointment;
11. Directors should have access to the advice and services of the Secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
12. Directors should have access to consultancy of independent adviser and to seek independent professional advice at the expense of the Company. The director who intends to seek such consultation or advice shall notify the Secretary of such request. The Secretary shall forward the request to the Board Chairman for approval. Upon obtaining the Board Chairman's approval, the

director shall engage the services of the adviser. All advices and opinions from the advisers shall be reported to the Board of Directors.

13. Directors should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;

14. Directors should disclose immediately all contractual interests whether directly or indirectly with the Company;

15. Directors should neither divert to his own advantage any business opportunity that the Company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;

16. Directors should at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties;

17. Directors should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Company is at stake;

18. On relationship with Shareholders, Employees, Creditors and Customers,

    a. Directors should be conscious of the interest of the shareholders, employees, creditors and customers of the company;

    b. Directors should at all times promote professionalism and improve the competency of management and employees; and

    c. Directors should ensure adequate safety measures and provide proper protection to workers and employees at the workplace.

19. On Social Responsibilities and the Environment,
    a. Directors should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
    b. Directors should ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities;
    c. Directors should be more proactive to the needs of the community and to assist in society-related programmes in line with the aspirations of the concept of 'Caring Society' in Vision 2020;
    d. Directors should ensure that the activities and the operations of the Company do not harm the interest and well-being of society at large and assist in the fight against inflation; and
    e. Directors should ensure that necessary steps are taken in accordance with the law to properly wind-up or strike off the company register if the Company has not commenced business or has ceased to carry on business and is not likely to commence business in the future or resume business, as the case may be.

Disclosure and Conflict of Interest

The Articles of Association of the Company stipulates that every Director shall comply with the provisions of section 131 and 135 of the Companies Act 1965 in connection with the disclosure of the following:

1. interest in shares, debentures, participatory interests, rights, options; and
2. interest in any contract or proposed contract with the Company.

The guidelines for the Board and its Directors on conflict of interest are, among others, the following:

1. Directors must act in good faith at all times, where believing to be in the best interest of the Company. The definition of "interest" shall bear the meaning provided in Section 6A of the Malaysian Companies Act, 1965;

2. Directors have a general duty to make disclosure by giving written notice within a stipulated period of the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company or its officers to comply with the Companies Act (or similar legislation) and other relevant legislative requirements; and
3. No director may vote in respect of any other contract or proposed contract or arrangement in which he is interested, directly or indirectly, nor any contract or proposed contract or arrangement with any other company in which he is interested, directly or indirectly, either as an officer of that other company or as a holder of shares or other securities in that other company.

REVIEW OF BOARD CHARTER

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is made available for reference in the Company's website at www.mhc.com.my