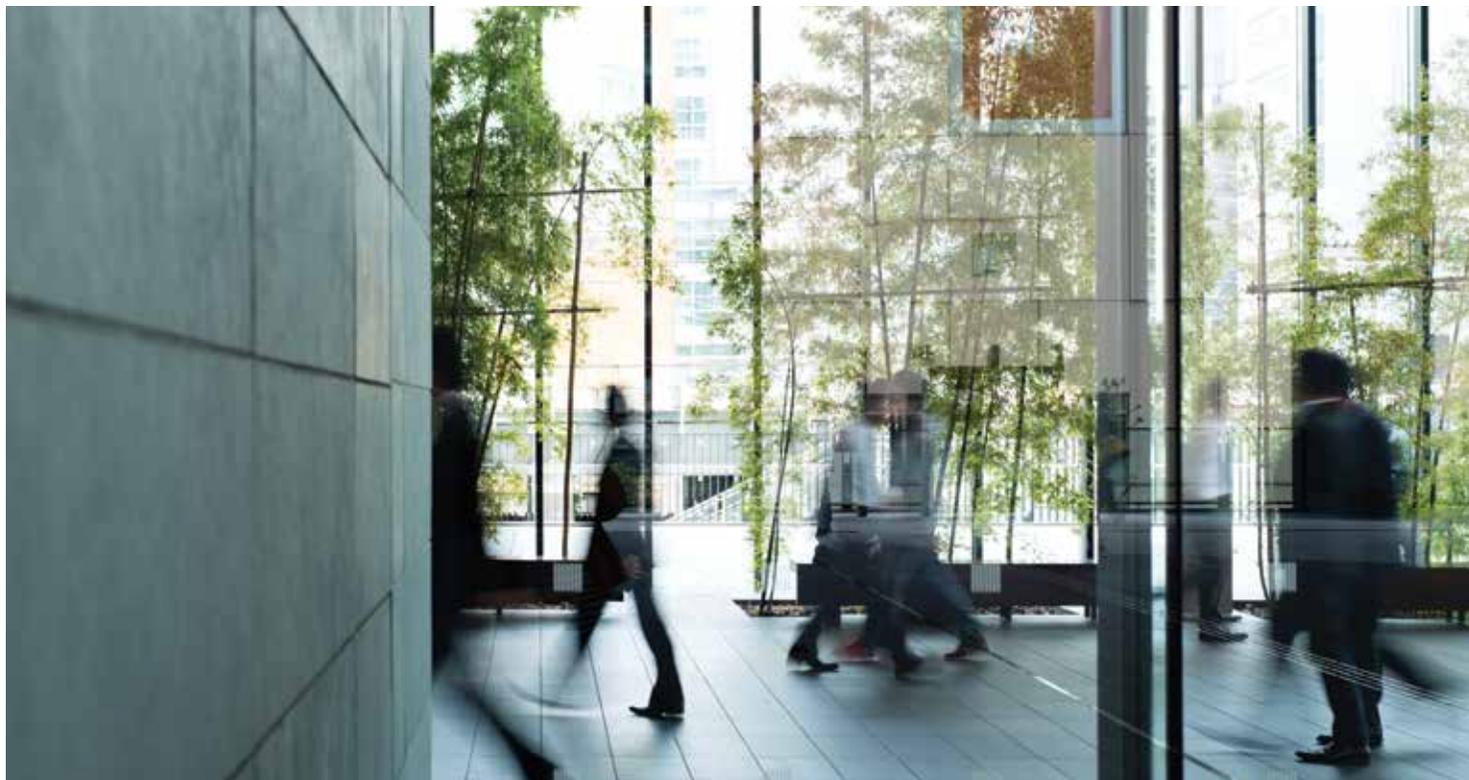


STATEMENT ON CORPORATE GOVERNANCE

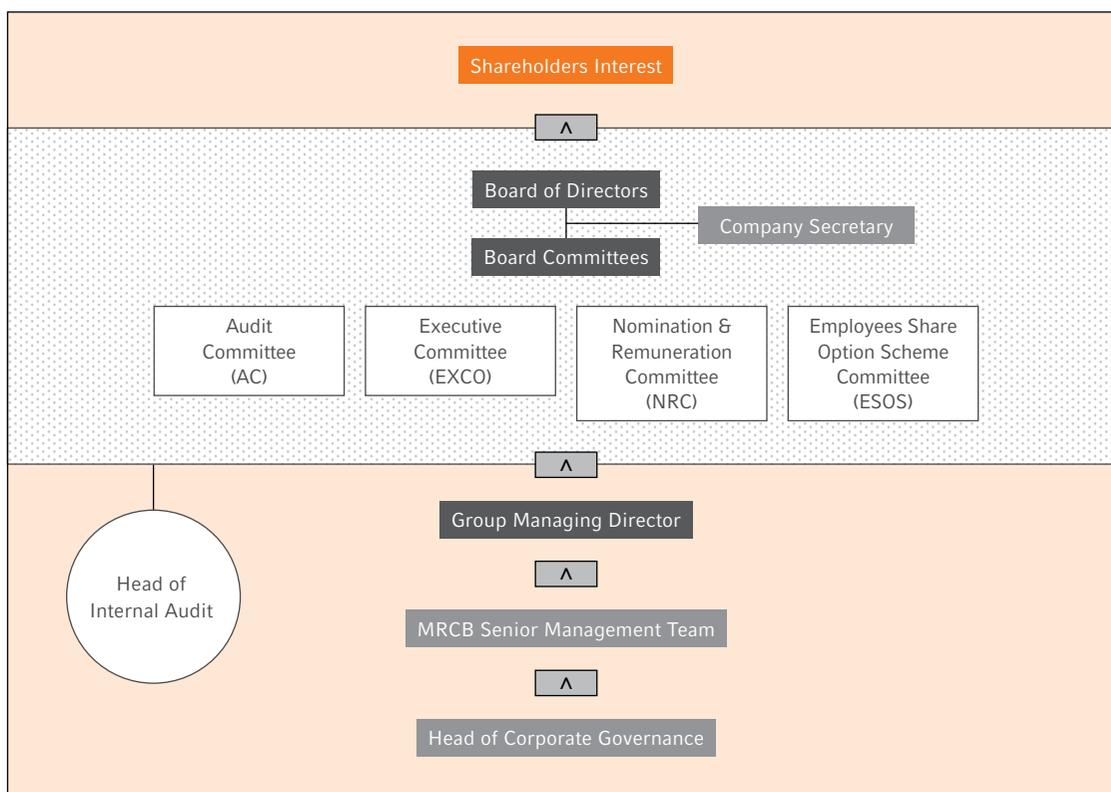


Good governance begins at the top. Our Board provides guidance and oversight to ensure the company has the right strategies and risk processes to create sustainable value for all stakeholders.

The Board continually monitors performance to make sure the necessary steps are taken to protect and enhance our assets and that our compensation plans appropriately motivate employees to achieve the company's goals.

Our benchmark in this connection is the Malaysian Code on Corporate Governance 2012, and Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

MRCB is committed to the principles of responsible and transparent business management and control geared to long-term financial success. Good corporate governance builds the foundations for investor, client, workforce, and public confidence. Our Corporate Governance framework is set out below:



YOUR BOARD AND ITS CHARTER

The Board oversees the business and affairs of the Group and is principally responsible for strategic planning, risk management, succession planning, oversight of operations and reviewing the adequacy of the management information and internal control systems of the Group.

The Board is guided by a Charter which was reviewed and adopted on 20 November 2012. Amongst others, the Board Charter sets out the principal role of the Board, the functions, responsibilities and powers of the Board and its various committees. The contents of the Board Charter can be viewed at the company's website, www.mrcb.com.

BOARD ETHICS

The Directors are expected to conduct themselves with the highest ethical standards. All Directors of the Group are given a copy of the Directors' Manual, Executive Handbook and the Code of Business Ethics upon their appointment. Compliance with the provisions in these documents is deemed to be part of the terms and conditions of their service. Amongst others, the Executive Handbook and Code of Business Ethics set out the expected standards of conduct and behaviour when dealing with external customers, suppliers and conflict of interest situations; and in preserving the confidentiality of company information.

Directors are required to disclose any conflict of interest situations or any material personal interest that they may have in the affairs of the Group as soon as they become aware of the interest and abstain from any deliberations on the matter.

The Group's Whistleblowing Policy also covers members of the Board and anyone with information on a potential misconduct of a Director may report it to a designated independent person.

FORMAL SCHEDULE OF MATTERS RESERVED FOR THE BOARD

The Board is responsible to set the overall strategic direction of the Group and is accountable to shareholders in performing that role. Aside from the six core responsibilities listed below, our Board also takes independent and collective responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. In discharging its roles and responsibilities, our Board is mindful of the need to safeguard the interests of all stakeholders. Dedicated Board Committees comprising Directors who have committed their time and effort as members to facilitate the effective discharge of these responsibilities have been established with clear Terms of Reference. Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group's strategy within a transparent governance framework.

Matters reserved for the Board	Work done in 2016
1 Corporate Plan and Programmes	i. Establishment of a Long-Term Incentive Plan of up to 10% of the issued and paid-up share capital of MRCB for the eligible employees of MRCB and its subsidiaries and eligible executive directors of MRCB
2 Annual budgets, including major capital commitments	i. Business plan and budget for 2016 & 2017 ii. Private placement of up to 20% of the issued and paid up share capital of MRCB
3 New ventures	i. Incorporation of new subsidiaries in Australia for the development of land at Carnegie, Melbourne, Australia
4 Material acquisitions and disposals of undertaking and proposals	i. Disposal of Menara Shell by 348 Sentral Sdn Bhd, a wholly-owned subsidiary of MRCB to Maybank Trustee Berhad, acting solely in the capacity as Trustee for MRCB-Quill REIT ("MQREIT") for a total disposal consideration of RM640 million ii. Disposal of a piece of a leasehold land held under PN 52405, Lot 20008, Seksyen 63, Bandar Kuala Lumpur to Mass Rapid Transit Corporation Sdn Bhd for a total cash consideration of RM180 million iii. Related party transaction on the appointment of MRCB Builders Sdn Bhd, a wholly-owned subsidiary of MRCB, as the Project Delivery Partner by Kwasa Land Sdn Bhd in connection with the construction and completion of common infrastructures for Majlis Bandaraya Petaling Jaya area at the proposed Kwasa Damansara Township for a provisional fee of RM112.28 million iv. Related party transaction on the acquisition of 1,000,000 Ordinary Shares of RM1.00 each in Nilaitera Sdn Bhd, representing 100% equity interest in Nilaitera Sdn Bhd by MRCB Land Sdn Bhd, a wholly-owned subsidiary of the Company, from Nusa Gapurna Sdn Bhd for a total cash consideration of RM24.78 million v. Subscription of RM110 million in value of new units in MQREIT pursuant to the proposed placement exercise to be undertaken by MQREIT
5 Changes to the management and control structure of the company and its subsidiaries, including key policies	i. Performance bonus and remuneration packages for Senior Management ii. Appointment of additional independent directors and reconstruction of the Committees of the Board iii. Revision to the Directors' fees

SEPARATION OF POWER BETWEEN THE BOARD AND MANAGEMENT

Chairman



- ▶ Leads the Board
- ▶ Promotes the highest standards of corporate governance
- ▶ Builds an effective and complementary Board
- ▶ Leads Board succession planning
- ▶ Ensures effective communication with shareholders
- ▶ Ensures the orderly conduct of meetings and facilitates discussions of all agenda items, in particular strategic issues

Senior Independent Director

SID

- ▶ Sounding board for the Chairman and Group Chief Executive
- ▶ Acts as a conduit for the views of other Non-Executive Directors
- ▶ Conducts the Chairman's annual performance appraisal
- ▶ Helps resolve shareholders' concerns

Non-Executive Directors

NED

- ▶ Challenge constructively
- ▶ Help develop and set the Group's strategy
- ▶ Actively participate in Board decision making
- ▶ Scrutinise management performance
- ▶ Satisfy themselves on the integrity of financial information
- ▶ Review the Group's risk exposures and controls
- ▶ Determine the remuneration of Executive Directors
- ▶ Provide independent judgement, experience and objectivity

Group Managing Director

GMD

- ▶ Manages the Group on a day-to-day basis
- ▶ Makes decisions on matters affecting the operation, performance and strategy of the Group's business
- ▶ Provides leadership and direction to senior management
- ▶ Coordinates all activities to implement the strategy and for managing the business in accordance with the Group's risk appetite and business plan set by the Board

Executive Director

ED

- ▶ Under the leadership of the Group Managing Director, makes and implements decisions in all matters affecting the operations, performance and strategy of the Group's business
- ▶ Provides specialist knowledge and experience to the Board
- ▶ Charts the overall business direction of the group
- ▶ Designs, develops and implements strategic plans
- ▶ Deals with day-to-day operations of the Group

Company Secretary

CS

- ▶ Advises the Board
- ▶ Ensures good information flows and comprehensive practical support are provided to Directors
- ▶ Maintains the Group's corporate governance framework
- ▶ Organises Directors' induction and training
- ▶ Communicates with shareholders as appropriate and ensures due regard is paid to their interests

BOARD COMPOSITION AND BALANCE

As at 31 December 2016, the Board had 8 members, comprising the Chairman (Non-Independent Non-Executive), two (2) Executive Directors and five (5) Non-Executive Directors. Three (3) of the Non-Executive Directors are Independent Directors and two (2) are Non-Independent Non-Executive Directors.

Of the Independent Directors, the Board has appointed Jamaludin Zakaria as the Senior Independent Director, who serves as an intermediary between the Non-Executive Directors and the Chairman. The Senior Independent Director is also an alternative point of contact for shareholders and investors who have queries or concerns pertaining to the Group.

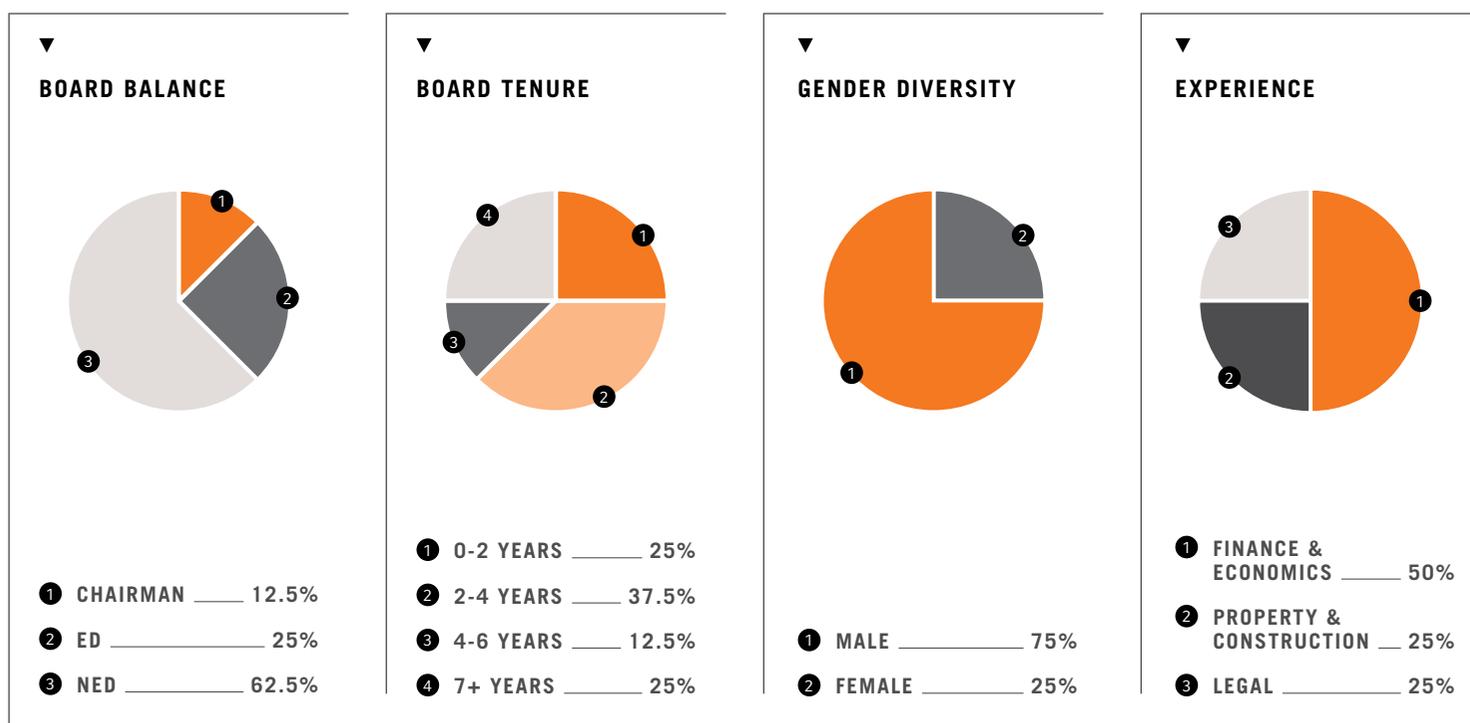
The profile of each member of the Board, their designation and membership on Board Committees are set out on pages 78 to 82 of this report.

The members of the Board bring with them a diversity and depth of experience in corporate strategy, finance, business management, construction, property development and property management. Together with their strong networking in the public and private sectors, the members of the Board provide effective oversight and strategic leadership to the Management team.

With the composition as at 31 December 2016, the Independent Directors constituted 37.5% of the Board and these Independent Directors provide effective debate and uphold the principles of objectivity and integrity during Board deliberations.

The Board believes that its present composition and size enables it to discharge its duties and responsibilities effectively and competently. From time to time, the Nomination & Remuneration Committee of the Board reviews the mix of skills, knowledge, experience and independence of its members. The Board is satisfied that there have been no compromises to the independence of the Independent Directors in 2016.

As a matter of policy, the Board has established that the tenure of Independent Directors shall not exceed a cumulative term of 12 years. The Board believes that this tenure provides a balance of effectiveness and independence that is appropriate for the Group.



DIRECTORS - SIGNIFICANT STRENGTHS

Name Of Director	Strategic Development	Corporate Strategy	Business Management	Capital Markets	Governance & Risk Management	Sector experience/knowledge
Tan Sri Azlan Zainol	•	•	•	•	•	•
Tan Sri Mohamad Salim Fateh Din	•	•	•			•
Mohd Imran Tan Sri Mohamad Salim		•	•		•	•
Datuk Shahril Ridza Ridzuan	•	•	•	•	•	•
Jamaludin Zakaria		•	•	•	•	
Rohaya Mohammad Yusof				•	•	•
Hasman Yusri Yusoff			•		•	•
Chuah Mei Lin		•		•	•	

INDEPENDENCE

The Group recognises that independent directors have an important role in assuring shareholders that the Board is able to act in the best interests of MRCB and independently of Management.

The independence of Non-Executive Directors (NEDs) is reviewed annually by the Nomination & Remuneration Committee and the findings of the review are considered by the Board. The Group's criteria for assessing director independence are sent to each Independent Director. They are asked to confirm whether they have any material interests or relationships with MRCB that could interfere with the exercise of their independent judgement. There were no material or substantial relationships noted by Directors in their annual declaration.

The Non-Executive Directors do not engage in any business dealings with the Group to ensure that they are capable of exercising independent judgement and act in the best interest of the Group and its shareholders. Directors who have an interest in a proposed transaction will declare the nature of their interests and will abstain from deliberations of the matter.

FOSTERING COMMITMENT

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

This is evidenced by the high level of attendance of the Directors and the time spent at Board and Committee meetings.

Details of attendance of each Director at the Board and Board Committee meetings, and the Annual and Extraordinary General Meetings (AGM and EGM) for the financial year ended 31 December 2016 are as follows:

No. Directors	Board		AC		EXCO		NRC		ESOS		45 th AGM Attended	EGM Attended
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings			
	Attended /Held	%										
1. Tan Sri Azlan Zainol (<i>Chairman</i>)	8/8	100	-	-	-	-	-	-	-	-	1/1	1/1
2. Tan Sri Mohamad Salim Fateh Din (<i>Group Managing Director</i>)	7/8	86	-	-	5/5	100	-	-	-	-	1/1	1/1
3. Mohd Imran Tan Sri Mohamad Salim	8/8	100	-	-	-	-	-	-	1/1	100	1/1	1/1
4. Datuk Shahril Ridza Ridzuan	8/8	100	-	-	5/5	100	-	-	1/1	100	1/1	1/1
5. Jamaludin Zakaria	8/8	100	7/7	100	4/4	100	2/2	100	1/1	100	1/1	1/1
6. Rohaya Mohammad Yusof	8/8	100	7/7	100	-	-	-	-	-	-	1/1	1/1
7. Chuah Mei Lin	8/8	100	-	-	4/4	100	2/2	100	-	-	1/1	1/1
8. Hasman Yusri Yusoff (<i>appointed on 26 January 2016</i>)	8/8	100	7/7	100	-	-	1/1	100	-	-	1/1	1/1
9. Dato' Chong Pah Aung (<i>resigned on 31 January 2016</i>)	-	-	-	-	1/1	100	1/1	100	-	-	-	-

The schedule of Board of Directors meetings for each year is established before the end of the preceding year along with a schedule of matters to be discussed in these meetings. Apart from these scheduled meetings, additional meetings may be requested by the Chairman to deliberate on urgent or important matters that require attention.

BOARD INDUCTION

The Group appreciates the importance of a well-focused induction plan to help new Directors become familiarised with the Group as quickly as possible and enable them to contribute fully to Board deliberations.

Newly appointed directors will be given an induction briefing by the Executive Director and/or Chief Financial Officer to provide them with an understanding of the Group, its operations, and the governance frameworks that are in place. The emphasis is on ensuring that the induction brings the business and its issues alive for the new Director, taking account of the specific role they have been appointed to fulfill and the skills/experience of the Director to date.

Non-Executive Directors are encouraged to identify any further information needs and to request any additional meetings or visits to help familiarise themselves with the business. In practice, some of the areas covered by the induction plan are likely to have been covered as part of the Director's own research prior to taking on the role. However, the plan aims to provide a more in-depth review of the issues and, facilitated by the Company Secretary, is delivered as soon as possible after the date of appointment.

RELATIONSHIP OF THE BOARD WITH MANAGEMENT

The relationship between the Board and Management remained strong and cohesive during the year under review and the Board continues to have direct and unrestricted access to the management team of the Group. The Board supports the Management by providing leadership, and the setting of business targets. At the same time, the Board also serves a check-and-balance function by challenging and debating decisions made by the Management before they are endorsed and approved. To do this, an established and structured reporting system has been put in place where the Board is regularly briefed and updated on the performance of the Group. This system enables the Board to closely monitor the achievement of targets set. Rewards to the Management and employees, such as bonuses and ESOS allocations, are based on financial performance and achievement of key performance targets.

PROFESSIONAL DEVELOPMENT AND TRAINING

Continuing professional development is an important aspect of every professional's working life, including Directors. Skills and knowledge need to be kept up-to-date to ensure the efficiency of the Board as a whole and the ability of every single Director to contribute to the highest standards.

The Chairman leads the learning and development of Directors and the Board generally, and regularly reviews and agrees with each Director their training and development needs.

The Company provides ample opportunities, support and resources for learning. A comprehensive programme, under the leadership of the Chairman, is in place throughout the year and comprises both formal and informal training and information sessions.

Site visits and conversations at Board dinners are also recognised as effective ways of learning, since they give Directors an opportunity to consider business areas and experiences outside their direct areas of expertise. Site visits in particular provide 'on-ground' experiences and reconnect Directors and senior management alike with the Group's business operations. The Board also receives regular refresher training and information sessions throughout the year to address current business or emerging issues.

During the year, members of the Board attended various courses on corporate governance, risk management, corporate finance and management. The details of the courses attended by the Directors are set out below.

Name of Director	Training Course Attended
Tan Sri Azlan Zainol	Advanced Retail Management Programme on "The Future of Retailing" and United Kingdom Retail Study Tour Organiser: Institute of Retail Management, Said Business School, Oxford University, United Kingdom.
	Briefing on Bank Negara Malaysia Annual Report 2015/Financial Stability and Payments Systems Report 2015 Organiser: Bank Negara Malaysia
	Briefing on British Anti-Corruption Act Organiser: Eco World International Berhad (By DLA Piper)
	Briefing on Trans-Pacific Partnership Agreement (TPPA) Organiser: RHB Banking Group (by PwC)
	Briefing on Malaysian Financial Reporting Standard 9 (MFRS 9) Organiser: RHB Banking Group (by Ernst & Young)
	Capital Market Director Programme Organiser: Securities Commission
	Shariah Awareness Programme – Islamic Banking: Compliance, Innovation, Profitability and Social Entrepreneur/Social Responsibility Investment by Datuk Dr Mohd Daud bin Bakar Organiser: RHB Banking Group
	Future Finance Conference Organiser: Bank Negara Malaysia
	Sustainability Policies & Strategies to Deliver Sustainable Performance Organiser: Terus Mesra Sdn Bhd
	Capital Market Director Programme for Equities and Futures Broking (Modules 1, 2A, 3 & 4) Organiser: SIDC
	Capital Market Director Programme for Fund Management (Modules 1, 2B, 3 & 4) Organiser: SIDC
	Briefing on Company Bill 2015 Organiser: Zaid Ibrahim & Co.

Name of Director	Training Course Attended
Tan Sri Mohamad Salim Fateh Din	Directors' Continuing Education Programme 2016 Organiser: British American Tobacco (Malaysia) Berhad
	International Conference on Blue Ocean Strategy (ICBOS) with the theme "Transforming Nations through Creativity and Innovation" Organiser: The Government of Malaysia – Prime Minister's Department, Ministry of Finance – National Strategy Unit, Razak School Of Government (RSOG) and National Blue Ocean Strategy (NBOS)
	Commonwealth Association for Public Administration and Management (CAPAM) Biennial Conference 2016 Organiser: The Government of Malaysia – Prime Minister's Department and Commonwealth Association for Public Administration and Management (CAPAM)
Mohd Imran Tan Sri Mohamad Salim	Global South-South Development Forum 2016 Organiser: United Nations Office
	Renewable Energy Opportunities and Transit Orientated Developments in the UK Organiser: UK Trade & Investment, London
Datuk Shahril Ridza Ridzuan	Strategic Leadership Alignment Organiser: EPF Learning Centre
	MBSB Directors' Training by Ernst & Young: Malaysia Financial Reporting Standards (MFRS) Organiser: Ernst & Young
	Thought Leadership Session Programme: Nurturing Strategic, Innovative & Global Minds Organiser: Sekretariat Division, EPF
	EPF Management Conference 2016 Organiser: EPF Management Conference Sekretariat
	Panel Speaker – Global Islamic Finance Forum 5.0 Organiser: Association of Islamic Banking Institutions Malaysia (AIBIM) of Bank Negara Malaysia
	Speaker – INCEIF "Malaysia as Global Hub for Fund Administration: Potential & Challenges" Organiser: INCEIF
	Strategy Community Installing Workshop Organiser: Strategy Division, EPF
	Speaker - Power Talks Session: Business Series Organiser: Star Media Group Berhad
	Panel Speaker – AMUNDI World Investment Forum 2016 on 'Broadening The Investment Universe' Organiser: AMUNDI Asset Management
	VMV Workshop Organiser: Strategy Division, EPF
	Knowledge Sharing: How Global Central Banks Have Borrowed Future Growth Rate? Organiser: IQI Holdings, Dubai
	Panellist Speaker for Capital TV on Islamic Finance: Innovations for Growth Organiser: Capital TV
	Speaker: CEO Faculty Programme on topic "Moving Forward Under Limitations" Organiser: University Malaya
	ILO Social Security Course Organiser: Strategic Division, EPF
	Roundtable Discussion: CEO Faculty Programme on topic "Leveraging university technologies in the finance and fund management industry" Organiser: University Malaya
	Visioning Exercise, Board Strategy Session Organiser: Sekretariat Division, EPF
	Oxford Pensions & Retirement Conference Organiser: Oxford-JOIM-EDHEC Conference
	33rd ASEAN Social Security Association (ASSA) Board Meeting Organiser: ASSA Sekretariat Committee
Panel Speaker: 2nd Bloomberg Most Influential Summit Conference on topic "Asian Economic Community: A Ray of Sunshine for Asian Market?" Organiser: Bloomberg	
EPF Investment Seminar 2016 Organiser: Investment Division, EPF	

Name of Director	Training Course Attended
Datuk Shahril Ridza Ridzuan	CEO Faculty Programme: A Study and Industrial Exposure Organiser: University Malaya
	3rd Annual Capital Market 2016 Facilitating Responsible Finance Through Islamic Capital Market in the US – Alternative Funding & Investment Avenues “Prioritising The Next Phase” Organiser: Malaysia U.S. Chamber of Commerce
	BOD Workshop – MPB Organiser: MPB
	Speaker: CEO Faculty Programme – Public lecture topic “The Employees Provident Fund: Issues & Challenges” Organiser: University Malaya
	Speaker: CEO Faculty Programme – Lecture topic “Managing Provident Funds: The Malaysian Economy” Organiser: University Malaya
Jamaludin Zakaria	Neuro Finance – The Hidden Side of Investment Decision Making Organiser: PNB Investment Institute Sdn Bhd
	Corporate Exercise & Asset Pricing in Malaysia (Application to Deal, Structure, Valuation, Defence Strategies, Cross Border Transactions, Reverse Take Over) Organiser: Advancement in Business Training
	Financial Crisis – Past, Present & Future – Is the Next Financial Crisis Just Around the Corner? Organiser: PNB Investment Institute Sdn Bhd
	Module 1: Directors as Gatekeepers of Market Participants Organiser: Securities Industry Development Corporation
	Module 2A: Business Challenges and Regulatory Expectations – What Directors Need to Know (Equities and Future Broking) Organiser: Securities Industry Development Corporation
	Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors Organiser: Securities Industry Development Corporation
	Module 4: Emerging and Current Regulatory Issues in the Capital Market Organiser: Securities Industry Development Corporation
Rohaya Mohammad Yusof	OCBC Global Treasury Economic & Business Forum, Singapore Organiser: OCBC
	2016 International Social Security Conference Organiser: State Street Bank and Trust Company
	EPF Investment Seminar KL - 2016 Organiser: EPF
	Bursa Malaysia CG Breakfast Series with Directors: Future of Auditor Organiser: Bursa Malaysia
	Ashmore Emerging Markets Seminar 2016 Organiser: Ashmore
	MIT Insights Series #9 by Dr. Douglas T.Breeden Organiser: AMUNDI
	Leadership Energy Summit Asia (LESA) Organiser: Bank Negara Malaysia
Chuah Mei Lin	SSM – Interpreting Financial Statements for Company Director Organiser: Suruhanjaya Syarikat Malaysia
	7th ASEAN Senior Management Development Program Organiser: Harvard Business School Alumni Club of Malaysia
	SSM National Conference 2016 on Companies Bill 2015 Organiser: Suruhanjaya Syarikat Malaysia
	SSM National Insolvency Conference 2016 Organiser: Suruhanjaya Syarikat Malaysia
Hasman Yusri Yusoff	MSWG-Institutional Investor Council Governance Week 2016 “Stewardship Matters – For Long Term Sustainability” Organiser: MSWG
	MFRS/FRS Update 2015/2016 Seminar (Run2) Organiser: KPMG
	Accounting for Revenue under MFRS15 Organiser: Deloitte
	Khazanah MegaTrends Forum 2016 Organiser: Khazanah Nasional Berhad

BOARD PERFORMANCE

The effectiveness of the Board is vital to the success of the Group and it is the Company's policy to conduct a formal Board Effectiveness Evaluation annually in order to assess the effectiveness of the Board as a whole, the respective Board Committees and the contribution of individual directors.

The Company has appointed an external consultant to assist with the Board Effectiveness Evaluation Exercise for the 2016 financial year, and the exercise is on-going. The assessment is developed based on the latest corporate governance guidelines and best practices.

The performance of the Board, and the contribution of the Chairman and individual Directors, will be assessed and measured against, amongst others, the Group strategic plan, principle duties expected of the Board, the Chairman and Directors' obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution.

The outcome of the Board Effectiveness Evaluation will be presented to the Nomination & Remuneration Committee for its review and action plans may be identified for areas requiring improvement. The overall results will subsequently be presented to the Board for notification.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination & Remuneration Committee is entrusted with the responsibility of assessing capable candidates to be appointed as members of the Board.

During the year, Hasman Yusri Yusoff was appointed Independent Director on 26 January 2016 and Dato' Chong Pah Aung resigned from the Board on 31 January 2016.

All newly appointed directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election. This requirement is set out in Article 106 of the Company's Articles of Association. Additionally, Articles 101 and 102 of the Company's Articles of Association require that at least one-third of the directors retire by rotation, and the directors to retire in each year are the directors who have been longest in office since their appointment or re-election.

At the AGM held on 31 May 2016, Tan Sri Azlan Zainol and Datuk Shahril Ridza Ridzuan, who retired pursuant to Articles 101 and 102 of the Articles of Association of the Company, had been duly re-elected. At the same time, Hasman Yusri Yusoff and Chuah Mei Lin (who was appointed on 4 September 2015) had retired pursuant to Article 106 of the Articles of Association of the Company and were duly re-elected.

On 6 January 2017, the Board noted with deep regret, the sudden demise of Chuah Mei Lin. Although she had only served a short tenure with the Board, Chuah Mei Lin had contributed actively in Board deliberations and her untimely passing is a loss to the Group.

The Group has in place a formal and transparent procedure for the appointment of directors to the Board. The policies and procedures for recruitment or appointment (including re-election/re-appointment) of directors are detailed in the Board Charter. The Nomination & Remuneration Committee is guided by the Board Charter and the director selection and appointment processes set out in its Terms of Reference. The appointment of a new director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination & Remuneration Committee. In making these recommendations, the Nomination & Remuneration Committee will consider the core competencies which the directors should bring to the Board and required criteria such as mix of skills, experience and other qualities of the Board including gender diversity, ethnicity and age, where appropriate. The Group does not practice gender, ethnicity or age discrimination, neither at the Board level nor at the management level.

In line with the Government's aspiration to have at least 30% female representation in decision-making positions of Malaysian public companies by 2016, the Company had two female directors on its Board for year 2016. This constituted 25% of the Board. With the demise of Chuah Mei Lin on 6 January 2016, the Board will source for suitable candidates as part of its new directors recruitment exercise to achieve the requirement for 30% women participation on the Board.

BOARD REMUNERATION

Remuneration Policy for Directors and Senior Management

The remuneration of the Group Managing Director and designated senior management personnel are based on the Nomination & Remuneration Committee's review and assessment of the achievements and contribution of each individual, measured against their respective Key Performance Indicators. Recommendations are then made by the Nomination & Remuneration Committee for a decision by the Board on suitable remuneration for each personnel.

Non-Executive Directors receive a fixed base fee as a consideration for their Board duties and an allowance for attending meetings. The aggregate amount of directors' fees paid to Non-Executive Directors is recommended by the Board for the approval of the shareholders at the Company's Annual General Meeting.

Directors' Remuneration

The total Directors' remuneration for the financial year ended 31 December 2016 was approximately RM7.9 million.

Details of the Directors' remuneration for financial year ended 31 December 2016 are set out below.

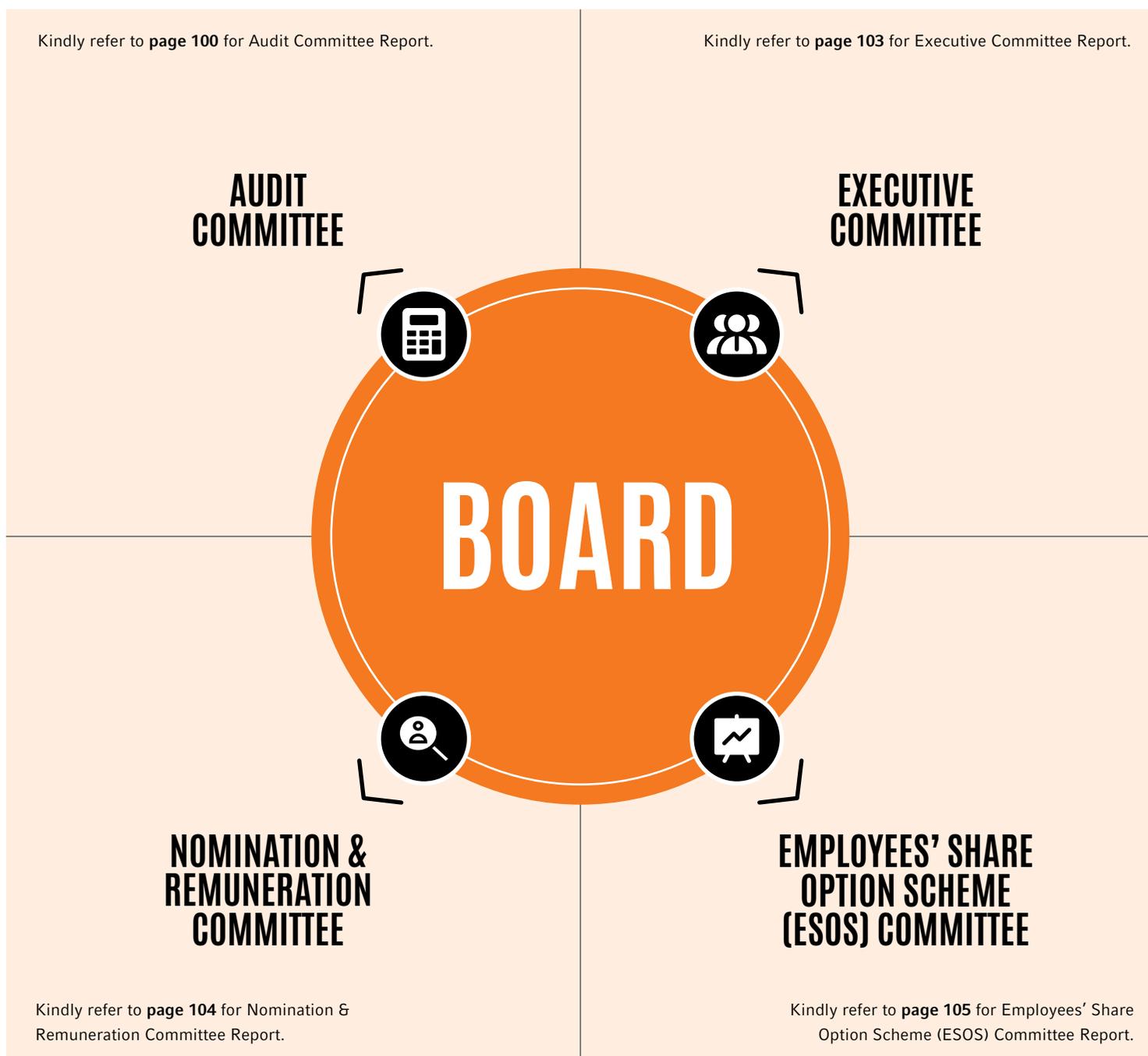
As the Directors did not receive any remuneration from other companies within the Group, all the Directors' remuneration disclosed below were for services rendered to MRCB.

Directors	Fee RM'000	Salary & Bonus RM'000	EPF & SOCSO RM'000	Leave Passage RM'000	Allowance RM'000	Car Allowance RM'000	Benefits- In-Kind RM'000	ESOS RM'000	Total RM'000
Non-Executive Directors									
Tan Sri Azlan Zainol (<i>Chairman</i>)	200	-	-	-	78	-	-	-	278
Datuk Shahril Ridza Ridzuan	150	-	-	-	143	-	80	-	373
Rohaya Mohammad Yusof	150	-	-	-	15	-	-	-	165
Executive Directors									
Tan Sri Mohamad Salim Fateh Din (<i>Group Managing Director</i>)	-	3,800	785	-	-	120	48	231	4,984
Mohd Imran Tan Sri Mohamad Salim (<i>Executive Director</i>)	-	1,010	222	36	36	60	32	173	1,569
Independent Non-Executive Directors									
Jamaludin Zakaria	150	-	-	-	27	-	-	-	177
Chuah Mei Lin	150	-	-	-	16	-	-	-	166
Hasman Yusri Yusoff (<i>appointed on 26 January 2016</i>)	140	-	-	-	23	-	-	-	163
Dato' Chong Pah Aung (<i>resigned on 31 January 2016</i>)	12	-	-	-	3	-	-	-	15
Total	952	4,810	1,007	36	341	180	160	404	7,890

Directors' Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM100,000	-	1	1
RM100,001 - RM150,000	-	-	-
RM150,001 - RM200,000	-	4	4
RM250,001 - RM300,000	-	1	1
RM350,001 - RM400,000	-	1	1
RM1,550,001 - RM1,600,000	1	-	1
More than RM4,950,000	1	-	1
Total	2	7	9

BOARD COMMITTEES

The Board has established four (4) Committees, each with specific authorities and responsibilities, to assist the Board to discharge its duties and responsibilities effectively. At these Committees, detailed review and deliberation of strategic issues are carried out and the Chairmen of the various Committees will report on their respective deliberations and recommendations to the Board at the subsequent Board meeting. However, the Board retains the ultimate responsibility for decisions made by the Committees.





AUDIT COMMITTEE REPORT



Hasman Yusri Yusoff
Chairman

“WE TAKE OUR ROLE OF OVERSIGHT AND INDEPENDENT REVIEW SERIOUSLY AND PROFESSIONALLY”

COMPOSITION OF THE COMMITTEE

A total of seven (7) Audit Committee meetings were held during the financial year ended 31 December 2016. The attendance record of the Audit Committee Members is tabulated below:

AC Member	Number of AC Meetings	
	Attended/Held	%
Hasman Yusri Yusoff (Chairman) ¹	7/7	100
Dato' Chong Pah Aung ²	-	-
Jamaludin Zakaria	7/7	100
Rohaya Mohammad Yusof	7/7	100

Notes:

1. Appointed on 26 January 2016
2. Resigned on 31 January 2016

The Audit Committee (“AC”) comprises three (3) members which consist two (2) Independent Directors and one (1) Non-Independent Non-Executive Director i.e. Rohaya Mohammad Yusof. Hasman Yusri Yusoff, is an Independent and Non-Executive Director and also a member of the Malaysian Institute of Accountants (“MIA”). Hasman Yusri Yusoff was appointed Chairman of the Audit Committee on 26 January 2016. Subsequently Dato’ Chong Pah Aung, an Independent Director resigned as member of the AC on 31 January 2016.

The Company Secretary, who acts as secretary to the Audit Committee attended all meetings. Also in attendance by invitation, were the Group Managing Director, Executive Director, Chief Operating Officer, Chief Financial Officer, Chief Corporate Officer, Head of Internal Audit and General Manager, Corporate Governance.

The Audit Committee met with the External Auditors two times during the year, without the presence of Management.

Upon the conclusion of each meeting, the Audit Committee Chairman will report to the Board of Directors the activities that it has undertaken and the key recommendations for the Board’s consideration and decision.

A whole range of issues affecting the operations of the Group were thoroughly reviewed and deliberated at these meetings. Audit Committee members take their role seriously and professionally to assist the Board in providing oversight of the Management. Audit reports and other matters brought to the Audit Committee’s attention are deliberated and discussed and where necessary, the Heads of Divisions/Departments and their Management team will be invited to the meetings to provide explanations or assist in deliberations. In doing so, the Audit Committee gathers inputs from the Internal Audit Department that is independent of Management, and which reports directly to the Audit Committee. Inputs are also gathered from the External Auditor, as necessary.

AUTHORITY OF THE AUDIT COMMITTEE

To carry out its responsibilities, the Audit Committee is empowered by the Board of Directors to:

- Investigate any matter within its terms of reference;
- Have the resources required to perform its duties;
- Have full, free and unrestricted access to any information, records, properties and personnel of MRCB and its subsidiaries (“the Group”);
- Have direct communication channels with the external auditors and internal auditors;
- Be able to obtain independent professional or other advice; and
- Be able to have meetings with the external auditors and internal auditors together with other independent members of the Board (i.e. excluding the non-independent and executive members) at least twice a year or whenever deemed necessary. The Audit Committee should also be able to meet exclusively among itself whenever deemed necessary.



AUDIT COMMITTEE REPORT

DUTIES AND RESPONSIBILITIES

The Audit Committee assists the Board to fulfil its oversight responsibilities over the activities of the Group. The key duties and responsibilities of the Audit Committee as specified in its Terms of Reference are as follows:

- i) To consider the appointment of the external auditor, the audit fee and the reasons given for their resignation or dismissal;
- ii) To review the audit plan of the external auditor;
- iii) To discuss problems and reservations arising from interim and final audits, and any other matter the external auditor may wish to discuss (in the absence of Management, where necessary);
- iv) To review the audit report of the external auditor and its evaluation of the system of internal control;
- v) To review the quarterly and year-end financial statements of the Group and to make the appropriate recommendation to the Board for its approval;
- vi) To review the adequacy of scope, resources and authority of the Internal Audit function;
- vii) To review the Internal Audit plan and processes and the results of internal audit reviews and investigations conducted;
- viii) To review the appointment, determine the remuneration and assess the performance of the Head of Internal Audit;
- ix) To review and authorise an investigation into serious allegations on fraud, misconduct and criminal breach of trust and to review the findings of such investigations;
- x) To review related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions on Management's integrity;
- xi) To oversee the Risk Management function of the Group;
- xii) To review arrangements established by the Management for compliance with any regulatory or other external reporting requirements, by-laws and regulation related to the Group's operations;
- xiii) To verify all Employees' Share Option Scheme allocations to ensure that they are done in compliance with the criteria disclosed by the Company to its employees; and
- xiv) To consider other topics as defined by the Board.

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

During the year under review, the activities carried out by the Audit Committee included the deliberation and review of following as below:

- **Financial results**
 - i) Reviewed the quarterly and annual audited financial results of the Group and its accompanying announcements and made the relevant recommendation to the Board for consideration and, focusing particularly on matters related to changes in major accounting policies, significant and unusual events, compliance with accounting standards and disclosure requirements; and
 - ii) Reviewed the Group's achievement of its key performance indicators.
- **Internal Audit**
 - i) Reviewed and approved the Risk-Based Annual Internal Audit Plan and resource requirement proposed by the Head of Internal Audit;
 - ii) Reviewed the structure of the Internal Audit Department and the adequacy of its resources and budget;
 - iii) Reviewed the findings of internal audit reports presented by the Head of Internal Audit on the Group;
 - iv) Reviewed the effectiveness and adequacy of management's corrective actions in response to the internal audit reviews conducted;
 - v) Reviewed the findings of follow-up audits to determine the status of implementation of management's corrective actions;
 - vi) Deliberated on findings of investigations and other ad-hoc special reviews on specific areas of operations to ascertain the root causes to the issues and the effectiveness of corrective actions taken to address the identified weaknesses; and
 - vii) Reviewed the Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report.



AUDIT COMMITTEE REPORT

- **External Audit**
 - i) Reviewed and approved the External Auditor's Audit Plan, approach and scope of review prior to commencement of their annual Audit;
 - ii) Deliberated on matters arising from the audit of the Group in a meeting with the External Auditor without the presence of any executive officer of the Group;
 - iii) Deliberated on the External Auditor's reports on audit and accounting issues that arose from its audits;
 - iv) Deliberated on updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board; and
 - v) Assessed the performance of the External Auditor, including their independence, and provided the recommendation on their re-appointment and remuneration to the Board.
- **Risk Management**
 - i) Reviewed the enterprise risk management activities of the Group; and
 - ii) Reviewed and deliberated the Statement of Corporate Governance, Statement on Risk Management and Internal Control and its recommendation to the Board for inclusion in the Annual Report.
- **Related Party Transactions**

Reviewed the fairness, transparency of related party transactions with appropriate disclosures made as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and ascertain that the transactions are conducted at arm's length prior submission for the Board's consideration and, where appropriate shareholders' approval.
- **Employee's Share Option Scheme (ESOS) Allocation**

Reviewed that the ESOS allocation during the year under review was verified by the Internal Auditor and was done in accordance with the provisions of the scheme and the criteria for allocations to the employees by the ESOS Committee.
- **Others**

Reviewed and approved proposed establishments or revisions to the Limits of Authority of subsidiaries.

INTERNAL AUDIT

The Internal Audit function of the Group is carried out by MRCB's Internal Audit Department which is an independent Department and separated from the Corporate Governance Department. The Internal Audit Department operates independently of management and reports directly to the Audit Committee.

The objectives, mission, scope, organisation, authority and responsibilities of the Internal Audit function are spelt out in the Internal Audit Charter. During the year under review, the Internal Audit function operated and performed in accordance with the principles of its Charter.

The Internal Audit function's primary responsibility is to carry out reviews of operations to provide reasonable assurance that the system of internal control is operating effectively and efficiently. The areas to be reviewed are determined by a risk-based audit plan that is aligned with the strategies and activities of the Group.

During the year under review, the Internal Audit Department conducted reviews of key developments, property and construction projects and selected business units of the Group. Continuous follow-up reviews were also carried out to ascertain the status of management action plans that were provided in response to audit findings raised previously. The status of these management action plans were also reported to the Audit Committee for their information.

Staff of the Internal Audit Department also observed tender openings to ensure that appropriate internal control and processes as set out in the Group's Policies and Procedures are complied with.

In 2016, the Internal Audit Department incurred total costs of RM1,365,876 for its activities.

This Audit Committee Report is approved by the Board of Directors in accordance to the resolution dated 27 February 2017.



EXECUTIVE COMMITTEE REPORT



Datuk Shahril Ridza Ridzuan
Chairman

**“WE CONTINUE TO ENHANCE THE LEADERSHIP
AND MANAGEMENT OF THE GROUP.”**

COMMITTEE ATTENDANCE AND COMPOSITION TABLE

EXCO Member	Number of EXCO Meetings	
	Attended/Held	%
Datuk Shahril Ridza Ridzuan (Chairman)	5/5	100
Tan Sri Mohamad Salim Fateh Din	5/5	100
Dato' Chong Pah Aung ¹	1/1	100
Jamaludin Zakaria ²	4/4	100
Chuah Mei Lin ²	4/4	100

Notes:

1. Resigned on 31 January 2016
2. Appointed on 22 February 2016

PURPOSE AND RESPONSIBILITIES

The Executive Committee (“EXCO”) was established to enhance the Board’s leadership and management of the Group. Comprised of three (3) Non-Executive Directors and the Group Managing Director, the main functions of the EXCO are:

- To review and recommend the annual business plan and budget of the Group to the Board for approval;
- To consider and review significant and/or major issues relating to the business direction of the Group; and
- To deliberate on all major business transactions and issues relating to the Group that require EXCO or Board approval in line with the approved Limits of Authority.

A majority of Non-Executive Directors shall form the quorum for a meeting. For 2016, a total of five (5) EXCO meetings were held and these were fully attended by all the members of the EXCO.

HOW THE EXCO SPENT ITS TIME IN 2016

- Reviewed the progress of key projects;
- Deliberated on major business proposals and transactions;
- Reviewed the progress and achievement of the budget set for 2016; and
- Reviewed the business plan and budget for 2017.



NOMINATION & REMUNERATION COMMITTEE REPORT



**“WE CONTINUE TO ENSURE THE CORRECT
BALANCE OF THE BOARD, ITS LEADERSHIP AND
THE COMPOSITION OF THE COMMITTEES.”**

COMMITTEE ATTENDANCE AND COMPOSITION TABLE

NRC Member	Number of NRC Meetings	
	Attended/Held	%
Jamaludin Zakaria (Chairman)	2/2	100
Chuah Mei Lin	2/2	100
Dato' Chong Pah Aung ¹	1/1	100
Hasman Yusri Yusoff ²	1/1	100

Notes:

1. Resigned on 31 January 2016
2. Appointed on 3 March 2016

PURPOSE AND RESPONSIBILITIES

The Nomination & Remuneration Committee comprises three (3) members, all of whom are Independent Directors. The Terms of Reference of the Nomination & Remuneration Committee can be accessed from the company's website. The Nomination & Remuneration Committee is primarily responsible for:

- The identification, assessment and recommendation of suitable candidates to be appointed on the Board;
- The assessment of the independence of independent directors and recommendation to the Board for the retention of independent directors who have served a cumulative period of twelve (12) years, if deemed appropriate;
- Assisting the Board in implementing an annual evaluation of the effectiveness of the Board, the committees of the Board and the contribution of each individual including the Group Managing Director/Chief Executive Officer and Executive Director(s); and
- The development and review of a remuneration framework for the Group covering the Board, the committees of the Board and the Group's Top Management.

The Nomination & Remuneration Committee shall have full authority to commission any report or survey which it deems necessary to help it fulfil its obligations.

A total of two (2) Nomination & Remuneration Committee meetings were held in 2016 and these were fully attended by all the members.

HOW THE NOMINATION & REMUNERATION COMMITTEE SPENT ITS TIME IN 2016

- Deliberation on the appointment of Hasman Yusri Yusoff as an additional independent director;
- Deliberation on the contract renewal of the Chief Financial Officer for another two years effective from 1 June 2016;
- Deliberation on the revision to the director's fees; and
- Deliberation on the results of the Board Effectiveness Evaluation carried out in 2014.



EMPLOYEES SHARE OPTION SCHEME (ESOS) COMMITTEE REPORT



**“WE CONTINUE TO ENSURE THAT
IMPLEMENTATION OF ESOS IS
ADMINISTERED FAIRLY.”**

COMMITTEE ATTENDANCE AND COMPOSITION TABLE

ESOS Member	Number of ESOS Meetings	
	Attended/Held	%
Datuk Shahril Ridza Ridzuan (Chairman)	1/1	100
Jamaludin Zakaria	1/1	100
Mohd Imran Tan Sri Mohamad Salim	1/1	100

PURPOSE AND RESPONSIBILITIES

The Employees' Share Option Scheme ("ESOS") Committee was set up to ensure that the implementation of the ESOS was administered fairly in accordance to the Company's by-laws of the ESOS approved by the Shareholders.

The ESOS Committee, which comprises three (3) members of the Board, meets as and when required and three (3) members form the quorum for a meeting. One (1) ESOS Committee meeting was held during the year under review and the meeting was attended by all the members.

HOW THE EXCO SPENT ITS TIME IN 2016

Deliberated on the proposed offer of share options to the employees.

BOARD ACCESS TO INFORMATION

In the course of discharging their duties, the directors have:

- i. Full and unrestricted access to timely and accurate information. The agenda and a full set of Board papers are typically distributed at least 7 days before the Board or its Committee meetings. This process ensures that the directors have sufficient time to review, consider and if necessary, obtain further information on the matters to be discussed, and thus be properly briefed and prepared during the meetings;
- ii. Unrestricted access to the advice and services of the Company Secretary and other members of senior management; and
- iii. Unrestricted advice and services of external and independent professionals, made available to Board members individually and collectively. This advice and these services are made available independent of Management's intervention. During the year under review, the Board did not seek the advice of any independent professionals.

The Company Secretary is a member of Malaysian Institute of Chartered Secretaries and Administrators and has the requisite experience to provide unhindered advice to the Board to ensure their effective functioning and compliance with regulatory requirements.

In order to enhance the accountability of the Board and Senior Management, the Group has in place Limits of Authority approved by the Board which sets out the limits of transactions for each level of Management to approve, and transactions that need to be approved by the EXCO or the Board.

COMMUNICATION, INTERACTION AND RELATIONSHIP WITH STAKEHOLDERS

Looking after Minority Interests

The Independent Directors do not represent any of the substantial shareholders and therefore represent and act in the interests of the minority shareholders, investors and stakeholders. The Board also maintains communications with the Minority Shareholder Watchdog Group on the interests of the minority shareholders.

Dividend

The Company has established a Dividend Policy whereby shareholders can expect a dividend payout amounting to at least 20% of core net profits. For the financial year ended 31 December 2016, the Company is proposing a first and final single tier dividend of 2.75% or 2.75 sen per ordinary share. This proposal is subject to the approval of shareholders at the forthcoming Annual General Meeting.

Communication, Transparency & Investor Relations

In order to ensure that the stakeholders and investing public have up-to-date information on the Group's performance, operations and other significant developments, various corporate announcements required under Bursa Malaysia Securities Berhad's Main Market Listing Requirements (including timely release of quarterly financial results) have been made during the period under review. In addition, detailed information on the Group's significant corporate events and developments were made through the media via press releases and/or press conferences.

Shareholders, investors and stakeholders can conveniently access up-to-date information on the Group's projects, quarterly financial position, investor relations and general corporate information at its regularly-updated corporate public website www.mrcb.com.

During the year under review, a total of four (4) Quarterly results analyst briefings were held where up-to-date information on the Company's major developments, ongoing corporate exercises and released results were explained to the analysts and fund managers that were present.

MRCB had also conducted a total of eight (8) one-on-one meetings with analysts from various institutions and six (6) separate meetings held with local and international fund managers.

The Investor Relations team also participated in two (2) local and international institutional investment roadshows to familiarise analysts with MRCB's development projects and plans. During the roadshows, analysts and fund managers were presented with comprehensive information of MRCB's business strategy, its current and future developments, sales trends and upcoming launches. Details of the roadshows participated in are as follows:

Date	Organiser	Event	Investment Firm	Venue
10 - 11 March 2016	CLSA	CLSA ASEAN Forum 2016	<ol style="list-style-type: none"> 1. CLSA 2. APG Alegeneme Pensioen Group 3. Kasikorn Asset Management 4. T. Rowe Price Associates Inc. 	Grand Hyatt Erawan, Bangkok
13 April 2016	Maybank & Bursa Malaysia	Invest Malaysia 2016 (IMKL 2016)	<ol style="list-style-type: none"> 1. Kenanga Investors Bhd 2. Hong Leong Assurance 3. Allianz Life Insurance Malaysia Bhd 4. UOB Asset Management (M) Bhd 5. Pathfinder Asset Management 6. Pacific Mutual Fund Bhd 7. AIA Bhd 8. Pheim Asset Management Sdn Bhd 9. Permodalan Nasional Berhad 10. Oaklands Path Capital Management 11. Manulife Asset Management Services Bhd 12. CIMB Private Banking 13. TA Investment Management Bhd 14. Libra Invest Bhd 15. Tokio Marine Life Insurance Malaysia Bhd 16. Asset Plus Fund Management 17. RVC Emerging Asia Fund 18. ValueCAP Sdn. Bhd. 19. KAF Investments Fund Bhd 20. Lembaga Tabung Angkatan Tentera 	Shangri-La Hotel Kuala Lumpur

Shareholders and investors can forward their questions and comments to the Company using the various modes of communications as listed out in the "Contact Us" page on the Company's website. Shareholders and members of the public may also contact the Senior Independent Director of the Company, Jamaludin Zakaria, to convey their concerns or questions. Jamaludin Zakaria may be contacted via email at: jamal.zakaria@mrcb.com.

Annual General Meeting

The Annual General Meeting is another forum through which the Board communicates with shareholders on the Group's progress and performance and where the Board clarifies issues pertaining to the Group's business activities, performance and other related matters. Shareholders are encouraged to participate in the meeting and are given the opportunity to ask questions and state their views. Where appropriate, the Chairman of the Board may provide a written response to any significant question that cannot be readily answered during the Annual General Meeting.

Where there is special business or where special resolutions are proposed, the explanation of the effects of such special business or special resolutions are provided in the notice of the Annual General Meeting.

In line with Bursa Malaysia Securities Berhad's amendments to its Main Market Listing Requirements, all resolutions are put to vote by poll.

ON-GOING GLC TRANSFORMATION INITIATIVES

MRCB had successfully completed and graduated from the 10-year GLC Transformation (“GLCT”) Programme in 2015.

Through the GLCT Programme, MRCB embarked on various initiatives, including transformative progress that focused on enhancing financial performance, institutionalising good governance, and delivering broader, impactful contributions to national socioeconomic development.

The GLCT Programme also provided direction for the progress of the Bumiputera agenda. One of the programme’s key underlying principles is the national development agenda which includes principles of growth with equity and development of the Bumiputera community. Through the Bumiputera Empowerment Agenda (“BEA”), MRCB as part of the G20, helped in improving the capabilities of Bumiputera businesses by providing opportunities through the carving out of construction projects to Bumiputera contractors. The BEA programme is set to run until 2020.

PROTECTION OF SHAREHOLDERS’ VALUE

Risk Management and Internal Control

The Board acknowledges that it is responsible for the effective management of risks and for ensuring that an effective system of internal control exists. Regular reviews of the risk management framework and the system of internal controls are conducted to ensure its continued relevance, adequacy and integrity.

The Board believes that a sound system of internal control, financial or otherwise, should provide reasonable assurance on:

- i. the effectiveness and efficiency of the Group’s operations;
- ii. effective management of risks;
- iii. the reliability of the Group’s financial information; and
- iv. compliance with laws and regulations.

However, due to the limitations inherent in any system of internal control, the system designed can only manage rather than totally eliminate the risk of failure to achieve the Group’s objectives.

The Statement on Risk Management and Internal Control that is set out on pages 110 to 113 of this report provides an overview on the risk management processes and the main features of the system of internal controls within the Group.

Prevention of Fraud

The Board has also put in place a Prevention of Fraud Manual which serves to guide the Management and employees on maintaining the highest standards of conduct and integrity in all dealings, as well as detailing out Management’s responsibility to set up the proper control processes to prevent and detect fraud. It defines what constitutes fraud and fraudulent activities, and puts together a framework for preventing fraud.

A Whistleblowing Policy has also been established. The Whistleblowing Policy outlines the avenues and procedures for whistleblowers to communicate their concerns to the Board (either through the Senior Independent Director, Chairman of the Audit Committee or the Head of Corporate Governance) without Management’s intervention and interference. The Whistleblowing Policy also describes the procedures to be taken for investigating and dealing with reports on the misconduct of employees.

Corporate Integrity

MRCB signed the Corporate Integrity Pledge on 18 April 2014 to indicate its support towards the anti-corruption efforts in Malaysia, in line with the objectives of the National Key Result Area of “Fighting Corruption” under the Government Transformation Programme.

With this Pledge, MRCB commits to, amongst others, promote values of integrity, transparency and good governance in carrying out its business activities, and comply with anti-corruption laws, policies and procedures.

Assurance on Performance of Associated Companies

To safeguard the Company’s investments in associated companies and to oversee their performance, the Company appoints its representatives to the Board of Directors of the associated companies. For active associated companies, key financial information and significant issues pertaining to these companies are sought and reviewed by the MRCB Board on a regular basis.

Accountability for Financial Information

The Board undertakes to ensure that:

- i. the Group's annual financial statements, quarterly announcement of results to shareholders, reports to regulators and other price-sensitive public reports are presented with a balanced and understandable assessment of the Group's position and prospects;
- ii. the Group's financial statements have been prepared based on accounting policies that have been consistently and properly applied, supported by reasonable and prudent judgements and estimates and in adherence to all applicable accounting standards; and
- iii. accounting records are accurate, within margins of reasonableness and which disclose the financial position of the Group in a true and fair manner.

The statement by directors pursuant to Section 251(2) of the Companies Act, 2016 in relation to the preparation of the financial statements are set out on page 7 of the Financial Report 2016 under "Statements by Directors".

Relationship with External Auditors

The Company maintains a transparent and professional relationship with its auditors through the Audit Committee. During the year, the Company engaged its external auditors for statutory audits, audits on proforma balance sheet for corporate exercises, and tax-related matters.

The Audit Committee meets regularly with the External Auditors to discuss and review the Audit Plan, and annual financial results, reports of examination and any audit findings that are highlighted by the External Auditors for the Audit Committee's attention. The Audit Committee also held two meetings with the External Auditors without the presence of members of management during the year.

In recommending the External Auditors for reappointment, the Audit Committee reviews their performance, suitability and independence. For 2016, the Audit Committee has obtained a written assurance from PricewaterhouseCoopers, the External Auditors, that they have maintained their independence in accordance with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

Further details on the activities of the Audit Committee in relation to the External Auditors is described on page 100.

SUSTAINABILITY

The Board is committed to conducting the Group's operations in a sustainable manner and believes in integrating environment, social and governance aspects into its business activities. Details on the Group's sustainability practices are explained in the Sustainability Report set out on page 48 to 73 of this report.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

(Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.)

The Board ensures that the Audited Financial Statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group and of the profit or loss and cash flows as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved Accounting Standards in Malaysia have been complied with and reasonable and prudent judgements and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis as the Board has reasonable expectation, after having made enquiries that the Group has adequate resources to continue in operational existence for the foreseeable future.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE 2012

(Pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.)

The above statements are clear reflections of the conscious efforts of the MRCB Board and Management to strengthen its governance process and maintain its position as one of the leaders in the application of corporate governance.

The Board is pleased to report to the shareholders that the Company has complied with the principles set out in the Malaysian Code on Corporate Governance 2012 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board believes this to be an ongoing process and will continue to strive for adoption of leading practices in corporate governance.

This Statement on Corporate Governance is made by the Board of Directors in accordance to its resolution dated 27 February 2017.