

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0059  
**COMPANY NAME** : M-MODE BERHAD  
**FINANCIAL YEAR** : 31 MAY 2018

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Rule 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Rule 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board of M-Mode Berhad is committed to exhibit high standards of corporate governance. In fulfilling its role as stewards of the Company and its subsidiaries (collectively referred to as the Group), the Board is dedicated to discharge its duties with due care, skill and diligence.</p> <p>The key responsibilities of the Directors are as follows:</p> <ul style="list-style-type: none"><li>• <u>Review and Adopt Strategic Plan of the Group</u></li></ul> <p>The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitor budgetary exercise which supports the Group's business plan and budget plan.</p> <li>• <u>Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks</u></li> <p>The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board's responsibilities for the Group's system of internal controls include financial condition of the business, operational, regulatory compliance as well as risk management matters.</p> |

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| <b>Explanation on application of the practice (Cont'd)</b> :   | <ul style="list-style-type: none"> <li>• <u>To Formulate and have in place an Appropriate Succession Planning</u><br/><br/>The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.</li> <li>• <u>Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group</u><br/><br/>The Board recognises that shareholder and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Group through a series of regular disclosure events during the financial year. Hence, the Group website is the primary medium in providing information to all shareholders and stakeholders.</li> </ul> |  |
| <b>Explanation for departure</b> :   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

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| <b>Application</b> :   | Applied  |  |
| <b>Explanation on application of the practice</b> :  | The Chairman in leading the Board in its collective oversight of management, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman with the assistance of the Executive Director:- <ul style="list-style-type: none"><li>• Provides support and guidance to Senior Management Officers to assist and facilitate management succession planning.</li><li>• Grooms and mentors Senior Management Officers to achieve consistently high levels of professionalism and excellent performance.</li><li>• Provides leadership to the Board and is responsible for the development needs of the Board, establishing and nominating good corporate governance practices.</li><li>• Ensures that guidelines and procedures are in place to govern the Board's operation and conduct.</li><li>• Ensures the smooth functioning of the Board and the governance structure and inculcating positive culture in the Board.</li><li>• Ensures that procedures and processes are in place to facilitate effective conduct business in the Board.</li><li>• Chairs Board meetings and ensure all relevant issues are on the agenda of Board meetings.</li><li>• Ensures Board receives the necessary management reports relating to the Company's business on a timely basis and able to participate openly in discussions at Board meetings.</li><li>• Chairs General Meetings of the Company and provides clarification on issues that may be raised by shareholders.</li></ul> |  |
| <b>Explanation for departure</b> :   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

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| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | <p>In FYE 2018, Dato' Lim Thean Keong ("Dato' Lim"), the Managing Director is also the Chairman of the Company. The Board is comfortable that there is no undue risk involved since all major and significant matters were referred to the Board for consideration and approval. Moreover, the independent Directors are able to provide an element of objectivity, independent judgement and check and balance on the Board.</p> <p>In August 2018, Dato' Lim resigned as Director of the Company and Mr. Ong Chee Koen was appointed the new CEO of the Company. Hence, Dato' Lim's position as Managing Director and Chairman ceased accordingly. The Nomination Committee would assess, deliberate and recommend the appointment of Chairman of the Board in due course.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

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| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Company appointed 2 qualified Company Secretaries, namely Ms Joanne Toh Joo Ann and Ms Sia Ee Chin, who are responsible for advising the Board on regulatory requirements and corporate governance matters to ensure that the Board discharge their duties and responsibilities effectively.</p> <p>Ms Joanne Toh Joo Ann is a Licensed Secretary by the Companies Commission of Malaysia and Ms Sia Ee Chin is an Associate (ICSA) and Member of the Malaysian Institute of Chartered Secretaries And Administrators. Below is a summary of the relevant activities in FY2018 carried out by the Company Secretaries of the Company:</p> <ul style="list-style-type: none"><li>(a) Advised the Directors on their roles and responsibilities and provided regular updates on new statutory and regulatory requirements relating to the discharge of the Directors' duties and responsibilities;</li><li>(b) Ensured that the Board and the Board Committees function effectively.</li><li>(c) Monitored the developments in corporate governance and facilitated the Board's application of the best practices of Malaysian Code on Corporate Governance ("MCCG");</li><li>(d) Attended all Board and Board Committees meetings and facilitated board communications;</li><li>(e) Ensured that the deliberations and decisions made by the Board and Board Committees are accurately minuted, and the records of the proceedings of the Board and Board Committees meetings are properly kept;</li><li>(f) Recorded the Directors' interests disclosures and advised the interested Directors the requirements on restrictions in voting or deliberation on related matters during the meetings;</li><li>(g) Facilitated and attended Engagement with the Regulators; and</li><li>(h) Managed processes of the annual shareholder meetings.</li></ul> |

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|   | <p>During the FY2018, the Company secretaries undertaken continuous professional development by attending the following trainings:</p> <ul style="list-style-type: none"> <li>• Anatomy of Company under the New Regime of Companies Act, 2016</li> <li>• Managing the Registered Office, Statutory Books, Returns and Other Documents under Companies Act, 2016</li> <li>• Key Offences under Companies Act, 2016 and Role and Responsibilities of Directors and Auditors and Company Secretaries under Companies Act 2016</li> <li>• Bursa Technical Briefing for Company Secretaries of Listed Issuers – Enhancing Standard of Disclosures in Announcements &amp; Circulars to Shareholders</li> </ul> |  |
| <p><b>Explanation for departure</b> :</p>   |   |  |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <p><b>Measure</b> :</p>   |   |  |
| <p><b>Timeframe</b> :</p>   |   |  |

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board recognised the importance of the information supply in promoting informed Board discussions and deliberations. The Chairman, together with Management and Company Secretary, are responsible for ensuring that the Board receive adequate and timely information prior to Board and Board Committee meetings.</p> <p>The Board has access to all information within the Company to enable them to discharge their duties and responsibilities. The Board is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.</p> <p>The deliberations and decision of the Board are recorded in the minutes of meetings and the process for recording abstention by Directors on a particular matter is in place. The minutes are circulated to the Board in a timely manner.</p> <p>All Directors are entitled to obtain independent professional advice, if necessary at the Group’s expense from time to time in performing their duties. All Directors also have full unrestricted access to any information pertaining to the listed issues.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:

- The responsibilities roles and responsibilities of the board, board committees, individual directors and management; and
- Issues and decisions reserved for the board.

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.</p> <p>The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available for reference at the Company's website at <a href="http://www.mmode.com.my">www.mmode.com.my</a>.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| <b>Application</b> :   | Applied   |  |
| <b>Explanation on application of the practice</b> :  | The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.<br><br>The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at <a href="http://www.mmode.com.my">www.mmode.com.my</a> . |  |
| <b>Explanation for departure</b> :   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b> :   |   |  |
| <b>Timeframe</b> :   |   |  |

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The Company established and implemented the Whistleblowing Policies and Procedures in order to create a platform for the employees to report genuine concerns in relation to any violation or improper conduct or wrongdoing within the Group.</p> <p>A copy of the whistleblowing policy is available for reference at the Company's website at <a href="http://www.mmode.com.my">www.mmode.com.my</a>.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises majority independent directors.

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| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>In FYE 2018, the Board has six (6) members comprising two (2) Executive Directors (including the Managing Director), three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. There is a fairly strong independent element on the Board, with Independent Non-Executive Director constituting 50% of the Board composition.</p> <p>The independence of each Director is reviewed by the Nomination Committee on annual basis. All the three (3) Independent Non-Executive Directors had satisfied with the requirement of independence as stipulated under Main Market Listing Requirement of Bursa Malaysia Securities Berhad.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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| <b>Application</b>   | : | Applied – Annual shareholder's approval for independent Directors serving beyond nine (9) years  |
| <b>Explanation on application of the practice</b>  | : | Mohd Zaini Bin Noordin has served as independent Non-Executive Director for a cumulative term of more than nine (9) years.<br><br>He had remained objective and independence in expressing his view and participating in deliberations and decision making of the Board and Board Committee. The length of his service on the Board had not in any way interfered with his exercise of independent judgement and ability to act in the best interest of the Company. |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3- Step Up**

The board has a policy which limits the tenure of its independent directors to nine (9) years.

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| <b>Application</b>                                | : | Not adopted |
| <b>Explanation on application of the practice</b> | : |             |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of Management within the Group.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In assessing suitability of candidates, consideration will be based on the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of professional knowledge, skills, experience and diversity (including gender diversity), understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

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| <b>Application</b>   | : | Departure  |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : | A formal written policy on gender diversity would be tabled for approval and adoption in FY 2019.  |  |
|  |   | Northstanding the above, in FYE 2018, the Board comprises of one (1) female director.  |  |
|  |   | The Nomination Committee is mindful of the Board's support for boardroom diversity, particularly, in terms of ethnicity and gender. These factors will be given prime consideration in the recruitment of new Board members and Senior Management. |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

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| <b>Application</b>   | : | Departure  |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : | The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the Nomination Committee. The Board relies on the existing network and referrals from existing Directors, Senior Management and major shareholders as primary means to source for new Directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business. |  |
|  |   | The Directors appointment process is carried out based on methodical and robust process undertaken by the Nomination Committee. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience.  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | Abdul Razak Bin Dato' Haji Ipap, the Chairman of Nomination Committee is an Independent Non-Executive Director. |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

**Practice 5.1**

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | The Nomination Committee is responsible to undertake the evaluation of the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision-making process of the Board.<br><br>The results of the evaluation were tabled to the Nomination Committee and the Board. |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

**Practice 6.1**

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | The Board believes that M-Mode should have a fair remuneration package to attract, retain and motivate directors. It has established a Remuneration Committee to review and ensure that the remuneration of its members fairly reflect the Board's and members' responsibilities, the expertise and the complexity of its operations. The said remuneration should also be in line with the business strategy and long-term objectives of M-Mode. |  |
|  |   | The Board would adopt Directors' Remuneration Policies and Procedures and Remuneration Policy for Employees in FY 2019.   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board has set up a Remuneration Committee which comprises at least half of Independent Non-Executive Directors in order to assist the Board in determining the Directors' remuneration.</p> <p>The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.</p> <p>The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organizations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees is to be approved by shareholders at the Annual General Meeting based on recommendations of the Board. A copy of the written terms of reference is available for reference at the Company's website at <a href="http://www.mmode.com.my">www.mmode.com.my</a>.</p> |

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| <b>Explanation for departure</b> :   |  |  |
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| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| <b>Application</b>                                | :      | Applied   |          |         |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
|---|--------|---|----------|---------|-------------------------------|---------|--|------|-------------------------------|------|-------------------------------|----|----|----|----|--|---|-----------|---|---|---------------|---|--------|---|---|----------------|--------|---|--------|---|---------------------------------|--------|---|--------|---|------------------------|--------|---|--------|---|-----------------------|--------|---|--------|---|
| <b>Explanation on application of the practice</b> | :      | <p>The Board has a Remuneration Committee formed to determine the remuneration of each Executive Director, Group Managing Director and Senior Management reflecting the level of responsibility, experience and commitment. The fees paid to Non-Executive Directors are the responsibilities of the entire Board and are subject to the approval of the shareholders of the Company. No director is involved in determining his own remuneration.</p> <p>The breakdown of directors' fees and other benefits on named basis as follows:</p> <table border="1"><thead><tr><th rowspan="3">Director</th><th colspan="2">Group</th><th colspan="2">Company</th></tr><tr><th>Fees</th><th>Salaries and other emoluments</th><th>Fees</th><th>Salaries and other emoluments</th></tr><tr><th>RM</th><th>RM</th><th>RM</th><th>RM</th></tr></thead><tbody><tr><td>Dato' Lim Thean Keong (resigned on 25 July 2018)</td><td>-</td><td>1,257,568</td><td>-</td><td>-</td></tr><tr><td>Ong Chee Koen</td><td>-</td><td>22,600</td><td>-</td><td>-</td></tr><tr><td>Thong Kooi Pin</td><td>24,000</td><td>-</td><td>24,000</td><td>-</td></tr><tr><td>Abdul Razak Bin Dato' Haji Ipap</td><td>24,000</td><td>-</td><td>24,000</td><td>-</td></tr><tr><td>Mohd Zaini Bin Noordin</td><td>12,000</td><td>-</td><td>12,000</td><td>-</td></tr><tr><td>Nirmala A/P Doraisamy</td><td>12,000</td><td>-</td><td>12,000</td><td>-</td></tr></tbody></table> | Director | Group   |                               | Company |  | Fees | Salaries and other emoluments | Fees | Salaries and other emoluments | RM | RM | RM | RM | Dato' Lim Thean Keong (resigned on 25 July 2018) | - | 1,257,568 | - | - | Ong Chee Koen | - | 22,600 | - | - | Thong Kooi Pin | 24,000 | - | 24,000 | - | Abdul Razak Bin Dato' Haji Ipap | 24,000 | - | 24,000 | - | Mohd Zaini Bin Noordin | 12,000 | - | 12,000 | - | Nirmala A/P Doraisamy | 12,000 | - | 12,000 | - |
| Director  | Group  |   |          | Company |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
|   | Fees   | Salaries and other emoluments   |          | Fees    | Salaries and other emoluments |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
|   | RM     | RM  | RM       | RM      |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| Dato' Lim Thean Keong (resigned on 25 July 2018)  | -      | 1,257,568   | -        | -       |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| Ong Chee Koen                                     | -      | 22,600  | -        | -       |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| Thong Kooi Pin                                    | 24,000 | -   | 24,000   | -       |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| Abdul Razak Bin Dato' Haji Ipap                   | 24,000 | -   | 24,000   | -       |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| Mohd Zaini Bin Noordin                            | 12,000 | -   | 12,000   | -       |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| Nirmala A/P Doraisamy                             | 12,000 | -   | 12,000   | -       |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |
| <b>Explanation for departure</b>                  | :      |   |          |         |                               |         |  |      |                               |      |                               |    |    |    |    |  |   |           |   |   |               |   |        |   |   |                |        |   |        |   |                                 |        |   |        |   |                        |        |   |        |   |                       |        |   |        |   |

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

|                    |  |  |
|--------------------|--|--|
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> : |  |  |

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

| <b>Application</b>   | :                           | Departure   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
|--|-----------------------------|---|--|-----------------------|-----------------------------|-----------------|---|------------------------|---|------------------------|---|--------------------------|---|
| <b>Explanation on application of the practice</b>  | :                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| <b>Explanation for departure</b>   | :                           | The Group does not comply with recommendation to disclose on named basis the top five senior management's remuneration in the bands of RM 50,000 in order to preserve confidentiality.  |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
|  |                             | As an alternative to this practice, the Board has disclosed the remuneration of its senior management in the band of RM250,000.   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
|  |                             | The remuneration of the senior management for the FYE 2018 is as follows:-  |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
|  |                             | <table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>Below RM250,000</td> <td>-</td> </tr> <tr> <td>RM250,001 to RM500,000</td> <td>-</td> </tr> <tr> <td>RM500,001 to RM750,000</td> <td>-</td> </tr> <tr> <td>RM750,001 to RM1,000,000</td> <td>1</td> </tr> </tbody> </table> |  | Range of Remuneration | Number of Senior Management | Below RM250,000 | - | RM250,001 to RM500,000 | - | RM500,001 to RM750,000 | - | RM750,001 to RM1,000,000 | 1 |
| Range of Remuneration  | Number of Senior Management |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| Below RM250,000  | -                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| RM250,001 to RM500,000   | -                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| RM500,001 to RM750,000   | -                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| RM750,001 to RM1,000,000   | 1                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |                             |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| <b>Measure</b>   | :                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |
| <b>Timeframe</b>   | :                           |   |  |                       |                             |                 |   |                        |   |                        |   |                          |   |

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

|   |   |             |
|---|---|-------------|
| <b>Application</b>                                | : | Not Adopted |
| <b>Explanation on application of the practice</b> | : |             |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Board of Directors has established an Audit Committee which is chaired by the Independent Non-Executive Director, Abdul Razak Bin Dato’ Haji Ipap. Meanwhile, the Chairman of the Board for FYE 2018 is Dato’ Lim Thean Keong. As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee’s findings and recommendations. |  |
| <b>Explanation for departure</b>   | : |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | The policy on observation of a cooling-off period of at least two years for a former key audit partner prior to the appointment as a member of the Audit Committee, had been incorporated in the Terms of Reference of the Audit Committee, which is available on the Company’s website at <a href="http://www.mmode.com.my">www.mmode.com.my</a> . |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

|   |   |
|---|---|
| <b>Application</b>                                | : Applied   |
| <b>Explanation on application of the practice</b> | <p>The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.</p> <p>The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.</p> <p>In assessing or determining the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the followings:</p> <ul style="list-style-type: none"><li>i) The adequacy of the experience and resources of the External Auditors;</li><li>ii) The external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;</li><li>iii) The nature of the non-audit services provided by the External Auditors and fee paid for such services relative to the audit fee; and</li><li>iv) Whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.</li></ul> <p>The Audit Committee has considered and assessed the independence of the external auditors during the year.</p> |

|  |  |  |
|--|--|--|
| <b>Explanation for departure</b> :   |  |  |
|  |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|   |   |             |
|---|---|-------------|
| <b>Application</b>                                | : | Not adopted |
| <b>Explanation on application of the practice</b> | : |             |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>All Audit Committee (“AC”) members are financially literate and are able to understand matters under the purview of the AC including financial reporting process. The qualification and experience of the individual AC members are disclosed in the Profile of Board of Directors in the Annual Report.</p> <p>Members of the AC attend trainings and talks to keep them updated on developments on financial standards. Updates on developments in accounting and governance standards are presented by the external auditors at AC meetings.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Company has in place a formal risk management process to identify, evaluate and manage significant risks impacting the Company. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

|   |   |  |
|---|---|--|
| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board discloses the features of its risk management and internal control framework, the adequacy and the effectiveness of this framework are set out in the Statement on Risk Management and Internal Control ("SORMIC") in the Annual Report.</p> <p>The Board acknowledges its responsibility and is committed in maintaining a sound system of internal control and risk management practice. However, such system can only provide reasonable but not absolute assurance against material misstatements or losses.</p> <p>The Audit Committee regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports provided by both the internal and external auditors. The Audit Committee also reviews the internal and external auditors' recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.</p> <p>The SORMIC which has been reviewed by the external auditors provides an overview of the state of risk management and internal control within the Group governed by the Risk Management Framework.</p> |
| <b>Explanation for departure</b>  | : |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |
| <b>Measure</b>  | : |  |
| <b>Timeframe</b>  | : |  |

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

|   |   |             |
|---|---|-------------|
| <b>Application</b>                                | : | Not adopted |
| <b>Explanation on application of the practice</b> | : |             |

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Group outsourced its internal audit function to an independent internal audit service provider, namely AlphaOne Governance Sdn. Bhd., which was appointed on 30 April 2018. The primary function of internal audit is to undertake systematic reviews of the governance, risk and internal control systems within the Group in accordance with an internal audit plan, so as to provide assurance that such systems are adequate and functioning as proposed.</p> <p>Internal Auditors reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The Internal Auditors are invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference especially when there are pertinent points should any of the Board members wish to highlight or seek clarification.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose:

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Company has outsourced its internal audit function to an independent professional consulting firm namely Messrs. AlphaOne Governance Sdn. Bhd. as part of its effort to provide an adequate and effective internal control system.</p> <p>Internal audit reviews were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the risk-based internal audit plan duly approved by the Audit Committee.</p> <p>The internal auditors report independently and directly to the Audit Committee on the Group's internal audit function, which is independent of the Board and Management. The internal audit review is carried out in accordance with the Annual Internal Audit Plan as approved by the Audit Committee and all audit findings arising therefrom are reported to the Audit Committee.</p> <p>The outsourced internal auditors are headed by its Consulting Manager, James Lim who is a fellow member of Professional Member of Institute of Internal Auditors, Malaysia and Chartered Accountants of Australia. Mr Lim together with his team, all of whom are qualified and possess the required expertise and experience are able to discharge their internal audit function effectively.</p> |
| <b>Explanation for departure</b>   | : |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board recognises that shareholder and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company website is the primary medium in providing information to all shareholders and stakeholders.</p> <p>The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. At the AGM, the Board will present to the shareholders a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session thereat, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.</p> |
| <b>Explanation for departure</b>   | : |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Departure  |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : | The Company is not under the Category of large companies as defined in the MCCG. |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Notice of Fourteenth Annual General Meeting (“AGM”) of the Company is circulated at least 28 days before the AGM, which is scheduled to be held on 15 November 2018. The additional time given to the shareholders allows them to make the necessary arrangements to attend and participate in person or through their corporate representatives and/or proxies. It also enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

|   |   |   |
|---|---|---|
| <b>Application</b>  | : | Applied   |
| <b>Explanation on application of the practice</b>   | : | <p>The tentative dates of the Annual General Meeting (“AGM”) will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.</p> <p>At the Thirteenth AGM and the Extraordinary General Meeting of the Company held on 23 November 2017, all the Directors were present in person to engage directly with shareholders and be accountable for their stewardship of the Company.</p> |
| <b>Explanation for departure</b>  | : |   |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |   |
| <b>Measure</b>  | : |   |
| <b>Timeframe</b>  | : |   |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.3**

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | Not applicable to the Company in view that the Company does not have large number of shareholders, did not in the past held meetings in remote location and does not intent to have meetings in remote locations in the future. |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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