

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7004
COMPANY NAME : MCE HOLDINGS BERHAD
FINANCIAL YEAR : July 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ('the Board') of MCE Holdings Berhad ("MCE" or "Company") recognises the importance of good corporate governance and continues to be committed to ensure that high standards and appropriate practices are in place throughout MCE Holdings Berhad and its subsidiaries ("MCE Group" or "the Group") to protect, enhance and support the business affairs and financial performance of the Group with the ultimate objective of safeguarding shareholders' investment and enhancing shareholders' value.</p> <p>The Board of MCE has primary responsibilities for the governance and Management of the Company and Group including the financial and organizational wellbeing of the Company and Group and ensures that the MCE Group has appropriate corporate governance structures aimed at creating and protecting shareholders' value and that all Board members are aware of their duties and responsibilities as Board members.</p> <p>The present Board composition comprises Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals enabling the Board to carry out its responsibilities effectively.</p> <p>The Board has defined the roles and responsibilities for the Board and its Group Managing Director. In discharging its fiduciary responsibilities, the Board emphasises strongly during its Board meetings on the deliberation and review of the financial performance of the Group, the execution of strategic plan by the Group Executive Directors, the principal risks faced by the Group and effectiveness of management mitigation plan, the appraisal of executive management and senior management succession plans as well as the integrity of the management information and systems of internal control of the Group.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Encik Shamsudin @ Samad Bin Kassim is Chairman of the Board and an Independent Non-Executive of the Company. His profile can be viewed on page 9 of the Company's Annual Report 2018. He provides leadership so that the Board can perform its responsibilities effectively. As provided under the Company's Board Charter, the Chairman is primarily responsible for, among others:</p> <ul style="list-style-type: none">➤ Providing leadership for the board so that the board can perform its responsibilities effectively:<ul style="list-style-type: none">▪ Ensures that the board plays a full and constructive part in the determination of the company's strategies and policies, and that board decisions taken are in the company's best interests and fairly reflect board's consensus; and▪ Ensures that procedures are in place to govern the board's operations.➤ Setting the board agenda and ensures that board members receive complete and accurate information in a timely manner:<ul style="list-style-type: none">▪ Plans the board meeting agenda in advance alongside the company secretary and Group Managing Director. Other directors and key members of management may also be consulted;▪ Ensures the provision of accurate, timely and clear information to the other directors; and▪ Ensures all directors are properly briefed on issues arising at board meetings in a timely manner.➤ Leading board meetings and discussions:<ul style="list-style-type: none">▪ Ensures that adequate time is available for thorough deliberation of key issues; and▪ Ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the board.➤ Encouraging active participation and allows dissenting views to be freely expressed:<ul style="list-style-type: none">▪ Promotes a culture of openness and debate whilst ensuring that no one director dominates the discussion; and▪ Obtains suggestions and comments from directors and encourages those who are less vocal to be more proactive in providing views.➤ Managing the interface between board and management:<ul style="list-style-type: none">▪ Acts as the main conduit between management and the board; and

		<ul style="list-style-type: none"> ▪ Develops a positive relationship with the chief executive officer. ➤ Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole: <ul style="list-style-type: none"> ▪ Acts as a spokesperson for the board; and ▪ Acts as the main representative of the company alongside the managing director at shareholders' meetings and on other occasions where key or major actions are taken or statements are made in the name of the company. ➤ Leading the board in establishing and monitoring good corporate governance practices in the company: <ul style="list-style-type: none"> ▪ Leads the creation of an effective corporate governance system, including the establishment of board and committee charters, a committee structure and induction as well as ongoing education programmes for directors; and ▪ Oversees and facilitates board, committee and board member evaluation reviews and succession planning alongside the chairman of the nominating committee. 		
Explanation for departure	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
Measure	:			
Timeframe	:	<table border="1" style="width: 100%;"> <tr> <td></td><td></td></tr> </table>		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The roles of the Chairman and Group Managing Director are separate and clearly defined, and are held by two distinct individuals. Encik Shamsudin @ Samad Bin Kassim is the Independent Non-Executive Director and Chairman of the Board whereas Dr Goh Kar Chun is the Group Managing Director of MCE. The separation of power is to ensure balance of power, accountability and division of roles and responsibilities of the Board and the management of the Group's business and operations.</p> <p>The Board has developed descriptions for responsibilities of the Board Chairman, Group Managing Director, Executive Director, the individual board members, the Group Executive Director as well as Chief Financial Officer.</p> <p>The details of these responsibilities are articulated in the Board Charter which is accessible at http://www.multicode.com.my</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>MCE's Board is supported by two (2) External Company Secretaries. Both Company Secretaries of MCE are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators.</p> <p>The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislation.</p> <p>All Directors also have full and unrestricted access to the advice and services of the Company Secretaries. The Board is regularly updated on new guidelines, directives and new regulatory issues affecting the Group by the Company Secretaries as well as external consultants. The Company Secretary together with the Group Managing Director, Group Executive Director and Chief Financial Officer assist the Chairman of the Board and Chairman of Board Committees to deal with the Board agenda and to provide the relevant information and documents to Directors on a timely basis. The Board is satisfied with the support and performance rendered by the Company Secretaries in assisting the Board to discharge its duties.</p> <p>The Board are of the view that the Company Secretaries have been competent and kept themselves abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of the business and to evaluate the management performance of the Group.</p> <p>A corporate calendar of all scheduled meetings and planned events for the financial year are furnished to all Directors and the Management by the Company Secretary normally during the 4th quarter Board meeting to aid and facilitate the Directors in scheduling and meeting their time commitments.</p> <p>In reviewing and analysing the quarterly interim financial results, the Board was provided with various corroborative information and data. This information was circulated to the Board members within seven (7) days prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to deliberate issues raised during Board meetings more effectively. The key business information and data covers budget, management report on operations, business development, performance of its subsidiaries, the management's quarterly risk assessment and its status of action plans undertaken by the Risk Management Committee. Additionally, the Management was also invited to brief and report in meetings of the Board and Board Committees.</p> <p>The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p> <p>The Company Secretaries will circulate the draft minutes of meetings for the Board and Board's Committee review in a timely manner. The Company Secretaries will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until they are resolved.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

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

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and responsibilities of the Board and Management, the Board Committees and the individual Directors are set out in the Board Charter which is accessible through the MCE's corporate website at http://www.multicode.com.my. The Board Charter will be reviewed annually and was last reviewed on 1 November 2018.</p> <p>It is the primary governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has taken initiatives to embrace the responsibilities listed in the Code, which facilitate the discharge of the Board's stewardship responsibilities. When implementing the strategic plan, the Group Managing Director and Executive Director is responsible for making and implementing operational and corporate decisions while the Non-Executive and Independent Directors ensure corporate accountability by providing unbiased and independent views, advice and judgement in safeguarding the interests of the shareholders.</p> <p>The Board has defined the roles and responsibilities for the Board, its Group Managing Director and Group Executive Director. In discharging its fiduciary responsibilities, the Board emphasises strongly during its Board meetings on the deliberation and review of the financial performance of the Group, the execution of strategic plan by the Group Executive Directors, the principal risks faced by the Group and effectiveness of management mitigation plan, the appraisal of executive management and senior management succession plans as well as the integrity of the management information and systems of internal control of the Group.</p> <p>The Board has specifically reserved the following matters for decision by the Board:</p> <ul style="list-style-type: none">• Acquisitions of Business/Investments.• Divestments and Disposals of Business/Investments.• Overseas Equity Venture.• Corporate Finance and Proposals.• Terms of key/main agreements not within the ordinary course of business.• Acquisition and disposal of Properties and Motor Vehicles.

	<ul style="list-style-type: none"> • Acquisition and Disposal of Fixed assets, other than Properties and Motor Vehicles, for amounts RM100,000 and above. • Disposal and write offs of current assets, for amounts RM100,000 and above. • Material expenditure other than capital expenditure not within the ordinary course of business, for amounts RM100,000 and above. • Bank borrowings and finance arrangements. • Placements/withdrawal of bank fixed deposits. <p>The Board maintains specific Board Committees namely Audit and Risk Management Committee ('ARMC') and Nomination and Remuneration Committee ('NRC'). These Committees ensure greater attention, objectivity and independence are provided in the deliberations of specific board agenda. The Board has defined the terms of reference for each Committee and the Chairman of these respective committees would report to the Board during the Board meetings on significant matters and salient matters deliberated in the Committees.</p> <p>On 1 November 2018, the Board had reviewed and enhanced its Board Charter and revised the existing Board policies and practices. The Board Charter and the following key Board Policies can be viewed at MCE's website at http://www.multicode.com.my as follows:</p> <ul style="list-style-type: none"> • Code of Business Conduct and Ethics • Corporate Disclosure Policy • Stakeholders Communication Policy • Board Diversity Policy (adopted on 1 November 2018) • Whistle-Blowing Policy (adopted on 1 November 2018) • Remuneration policy on Remuneration of Directors and Senior Management (revised on 1 November 2018) 	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>MCE's Code of Conduct and Business Ethics Policy ("the Code") sets out the standards of ethical behaviour and values expected of Directors and any other employees at executive level and above and serves as a guide and reference in the course of the performance of their responsibilities.</p> <p>The Board has implemented appropriate processes and systems to support, promote and ensure its compliance. The Board through the Nomination and Remuneration Committee will periodically review the Code which is available on MCE's Website at http://www.multicode.com.my</p> <p>The Code of Conduct and Business Ethics Policy was last reviewed on 1 November 2018.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board had on 1 November 2018 adopted a Whistle-Blowing Policy which sets out the disclosure procedures and protection for whistle blowers to meet the Group’s ethical obligations. Employees and stakeholders are encouraged to raise any serious concerns they have on any suspected misconduct or malpractices without fear of victimisation in a responsible manner rather than avoiding or overlooking them.</p> <p>The Whistle-Blowing Policy is available on MCE’s Website at http://www.multicode.com.my</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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 a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board of MCE is currently comprised of Five Directors with an appropriate balance of:</p> <ul style="list-style-type: none">- Two Executive Directors; and- Three Independent Non-Executive Directors. <p>The Board's current composition of Independent Directors exceeds the recommendation of at least half of its Board during the financial year and also exceeds the 1/3 requirement of the Main Market Listing Requirements ("MMLR").</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years Departure – The Board has decided not to adopt the two-tier voting process.
Explanation on application of the practice	:	<ol style="list-style-type: none">1. The Board will seek shareholders' approval to retain the Independent Directors who have served for a cumulative period of nine (9) years with justifications.2. As at the reporting date both Encik Shamsudin @ Samad Bin Kassim and Mr Tai Lam Shin will have served more than nine (9) years as Independent Directors. The Board through its NRC had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Malaysia and are able to provide objective and independent judgment in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting ('AGM') to retain both Encik Shamsudin @ Samad Bin Kassim and Mr. Tai Lam Shin as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the Code. <p>The Board's and NRC's justification to retain Encik Shamsudin @ Samad Bin Kassim and Mr Tai Lam Shin is premised on the following:-</p> <ul style="list-style-type: none">• Both Encik Shamsudin and Mr Tai continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Bursa Malaysia Listing Requirements;• During their tenure in office, both Encik Shamsudin and Mr Tai have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director(s), major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties. Encik Shamsudin is the Chairman of the Board and member of the AC and NRC whilst Mr Tai is the Senior Independent Non-Executive Director , Chairman of the NRC and member of the AC;• During their tenure in office, both Encik Shamsudin and Mr Tai have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, the Executive

	<p>Director(s), major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Listing Requirements;</p> <ul style="list-style-type: none"> • During their tenure in office as Independent Non-Executive Directors in the Company, both Encik Shamsudin and Mr Tai have not been offered or granted any options by the Company. Other than directors' fees and allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to them by the Company; • During their tenure in office, both Encik Shamsudin and Mr Tai have demonstrated consistently their integrity, commitment and contributed effectively to the Board's decision-making process; and • During their tenure in office, both Encik Shamsudin and Mr Tai have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strengths and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer. 		
Explanation for departure	:	<p>2. Both Encik Shamsudin and Mr Tai tenure in office as Independent Directors has passed nine (9) years but has not exceed twelve (12) years yet.</p> <p>The Board has opted not to adopt the two-tier voting process recommended under MCCG to retain Independent Directors who have served for a cumulative period of twelve (12) years or more.</p> <p>The Board has opted for this approach as a prudent and precautionary measure in light of the possible legal implications that may arise when read together with the Companies Act 2016.</p> <p>The 2 tier voting process is a recommendation and not mandatory under the Main Market Listing Requirements.</p> <p>The Board will seek shareholders' approval to retain Independent Directors to serve the Company by way of an Ordinary Resolution passed in accordance with the Company's existing constitution and the provisions of the Companies Act 2016.</p>	
Please provide an explanation for the departure.			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	Please provide an explanation on the adoption.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has set a Board Diversity Policy which acknowledges the importance of diversity in its Board composition, in terms of business experience, geography, age, gender, ethnicity and aboriginal status to provide the necessary range of perspective, experience and expertise required are well balanced in order to achieve effective board stewardship. The Board had on 1 November 2018 appointed a female member to its Board and set a policy that at least one member of the Board will be of the female gender.</p> <p>The NRC is responsible to oversee the selection criteria and recruitment process and recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board taking into consideration the candidates' :-</p> <ul style="list-style-type: none">- competencies, commitment, contribution and performance ;- professionalism ;- integrity ; and- in the case of candidates for the position of independent non-executive directors, the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors <p>The role of the NRC is detailed in its Terms of Reference, which is accessible for reference on the MCE's website at http://www.multicode.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	MCE has adopted a Board Diversity Policy which is available at Company's website www.multicode.com.my Currently, there is one female director in the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had adopted the following procedures for the appointment of new directors which disclosed under the NRC's in its Terms of Reference, which is accessible for reference on the MCE's website at http://www.multicode.com.my.</p> <p>The NRC will to review, propose and recommend the appointment of potential new directors as follows:</p> <ol style="list-style-type: none">1. to oversee the selection criteria and recruitment process and recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board taking into consideration the candidates' :-<ul style="list-style-type: none">- competencies, commitment, contribution and performance ;- professionalism ;- integrity ; and- in the case of candidates for the position of independent non-executive directors, the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors <p>including formalising its stand and approach to boardroom diversity.</p> <ol style="list-style-type: none">2. Consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director and, within the bounds of practicability, by any other senior executive or any director or shareholder.3. Recommend to the Board, directors to fill the seats on Board Committee.4. Reviewing on an annual basis, that the Board's size, composition and balance is appropriate and in particular that the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board are present.5. To oversee the development, maintenance and review of the criteria to be used in the recruitment process and the annual review and assessment of the effectiveness of the Board as a

	<p>whole, the committees of the Board, and the contributions of each individual director, including an assessment of the independence of the independent non-executive directors. and their length of tenure in office in line with the recommendations of MCCG.</p> <p>6. To make assessment, consider justifications and make recommendations on the element of independence of an Independent Director should the Board wish to retain as an Independent Director, a person who has served in that capacity for more than nine years.</p> <p>7. Review of Board's succession plans and facilitate induction and training programmes.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The membership classification of the NRC is set out in its term of reference. The current Chairman of the Nomination and Remuneration Committee is the Senior Independent Director, Mr Tai Lam Shin and its composition comprised exclusively of Independent Non-Executive Directors as follow:</p> <p>Chairman Tai Lam Shin – Senior Independent Non-Executive Director</p> <p>Members Shamsudin @ Samad Bin Kassim – Independent Non-Executive Director</p> <p>Loo Shen Chang – Independent Non-Executive Director</p> <p>The primary responsibilities of the Nomination and Remuneration Committee are set out in detail in its Term of Reference which can be reviewed from MCE's website at http://www.multicode.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had adopted a formal and objective Process for Assessing the Effectiveness of the Board as a whole, the Board Committees and Contribution of each individual Directors which is carried out annually.</p> <p>The Board's Nomination and Remuneration Committee ("NRC") carried out the assessment based on the approved process comprising of An evaluation of the Board, the Board Committees and the individual contribution of each members, in the form of annual evaluation questionnaires which were then reviewed and deliberated by the NRC before its findings and recommendations were tabled to the Board.</p> <p>The evaluation of the Performance of Chairman of the Board, the Chairman of the ARMC and NRC and the Senior Independent Director was also conducted during the schedule meeting of NRC. Each Director had abstained in the deliberation of their own evaluation.</p> <p>The NRC also reviewed the appropriateness of structure, size, composition and balance of the Board, and the required mix of skills and experience covering legal, medical and healthcare, as well as gender diversity.</p> <p>The NRC had concluded that the Board's dynamics are healthy and effective. The present members of the Board possess appropriate skills, experience and qualities to steer the Company forward. The NRC is also satisfied that the existing structure, size, composition, current mix of skills, competence, knowledge, experience and qualities of the existing Board members are appropriate to enable the Board to carry out its responsibilities effectively;</p> <p>The NRC also concluded that the Board Committee's were functioning effectively, meeting the objective as set out in its term of reference and assisting the Board in fulfilling its statutory and fiduciary responsibilities adequately.</p>

	<p>During the year, the NRC also carried out the following :</p> <p>i. Proposed the re-election of Directors in accordance to Article 76 and Article 82 of the Company's Constitution.</p> <p>Information of the directors standing for re-election is outlined in the Profile of Directors covering their details of profession, directorships in other public companies and shareholdings in the Company and their attendance of the Board meetings are set forth on page 10 and page 13 of 2018 Annual Report.</p> <p>ii. Reviewed the independence of Independent Directors and their length of tenure in office through Evaluation Questionnaires.</p> <p>The Board had adopted the evaluation procedures for assessment of the independence of the Independent Directors and where applicable, any impairment arising from a long tenure in office (9 Years As Prescribed By MCCG 2017).</p> <p>This evaluation is carried out in the form of annual evaluation questionnaires to be reviewed, deliberated and concluded by the NRC before recommendations are tabled to the Board.</p> <p>Each independent director has abstained in the deliberation of their own independence during the evaluation. It was concluded that the independence of all Independent Directors is not compromised or impaired after considering the following factors:</p> <ul style="list-style-type: none"> • The Independent Directors fulfilled the criteria and definition of an independent director as set out under Para 1.01 of Bursa Malaysia's Main Market Listing Requirement; • The Independent Directors have not developed, established or maintained any significant personal or social relationship with the Executive Directors, major shareholders or management of the company; • The Independent Directors have never transacted or entered into any transactions with, nor provided any service to the Company and its subsidiaries, the Executive Directors, major shareholders or management of the company; • The Independent Directors have not been offered or granted any options by the Company. No other incentives or benefits of whatsoever nature had been paid to them by the Company; • The Independent Directors have attended training programs and keep abreast with development in corporate governance and corporate development, brought objective insight all aspect of monitoring and oversight activities of the Board and devoted sufficient time commitment and desire to serve. <p>The Board had concurred and agreed with the above recommendations made by the NRC.</p>
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Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC and Board had adopted a formal and transparent remuneration policy for the Board and Senior Management to attract and retain directors which is aligned with the business strategy and long term objectives of the Company taking into consideration that the remuneration should reflect the Board's responsibilities, expertise and complexity of the Company's activities.</p> <p>The NRC during the year under review had:</p> <ul style="list-style-type: none">i. Reviewed the service contract of the Group Managing Director and Group Executive Director ("GED") covering directors' fees, bonuses, benefit in kind and salaries increment ;ii. Reviewed the Directors' benefit for Non-Executive Directors;iii. Reviewed the proposed basis for provision of Directors' fees for Board's Chairman and Board Committee Chairman; <p>in accordance with the policy .</p> <p>On 1 October 2018, a new Executive Director was appointed to the Board. The NRC had review and deliberate the proposed remuneration package of the new Director before recommending for Board's approval.</p> <p>The Remuneration Policy on Directors and Senior Management was last reviewed on 1 November 2018 and is available at MCE's website at http://www.multicode.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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.

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC comprises wholly of Independent Non-Executive Directors ("NEDs"). The primary responsibilities of the NRC are set out in details in its Terms of Reference which can be viewed from MCE's corporate website at http://www.multicode.com.my</p> <p>The Board is satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its remuneration functions, which include amongst others, establishing the remuneration policy for Directors and Senior Management's Remuneration, reviews of the remuneration policies for the Board, Board Committees, the Executive Directors and key management personnel.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied																																																																																																																																																
Explanation on application of the practice	:	<p>In line with corporate governance best practice, the disclosure of the Directors' remuneration on a named basis <u>as set out below</u>:</p> <p>The details of remuneration of Directors for the financial year ended 31 July 2018 for MCE and Group level are as follows:</p> <table><tr><th colspan="8">Group</th></tr><tr><th colspan="8">Non-Executive Directors</th></tr><tr><th colspan="2">Name of Directors</th><th>Director Fee (RM)</th><th>Other allowance</th><th>Meeting allowance (RM)</th><th colspan="3">Total (RM)</th></tr><tr><td colspan="2">Shamsudin @ Samad Bin Kassim</td><td>71,000</td><td>-</td><td>6,000</td><td colspan="3">77,000</td></tr><tr><td colspan="2">Tai Lam Shin</td><td>55,000</td><td>6,000</td><td>6,000</td><td colspan="3">67,000</td></tr><tr><td colspan="2">Loo Shen Chang</td><td>55,000</td><td>-</td><td>6,000</td><td colspan="3">61,000</td></tr><tr><th colspan="8">Executive Director</th></tr><tr><th>Name of Director</th><th>Fees</th><th>Salary (RM)</th><th>Bonus (RM)</th><th>EPF – Bonus (RM)</th><th>EPF (RM)</th><th>SOC SO (RM)</th><th>Total (RM)</th></tr><tr><td>Dr Goh Kar Chun</td><td>45,000</td><td>781,085</td><td>166,817</td><td>31,695</td><td>148,396</td><td>829</td><td>1,173,822</td></tr></table> <table><tr><th colspan="8">Company</th></tr><tr><th colspan="8">Non-Executive Directors</th></tr><tr><th colspan="2">Name of Directors</th><th>Director Fee (RM)</th><th>Other allowance</th><th>Meeting allowance (RM)</th><th colspan="3">Total (RM)</th></tr><tr><td colspan="2">Shamsudin @ Samad Bin Kassim</td><td>71,000</td><td>-</td><td>6,000</td><td colspan="3">77,000</td></tr><tr><td colspan="2">Tai Lam Shin</td><td>55,000</td><td>6,000</td><td>6,000</td><td colspan="3">67,000</td></tr><tr><td colspan="2">Loo Shen Chang</td><td>55,000</td><td>-</td><td>6,000</td><td colspan="3">61,000</td></tr><tr><th colspan="8">Executive Director</th></tr><tr><th>Name of Director</th><th>Fees</th><th>Salary (RM)</th><th>Bonus (RM)</th><th>EPF – Bonus (RM)</th><th>EPF (RM)</th><th>SOC S O (RM)</th><th>Total (RM)</th></tr><tr><td>Dr Goh Kar Chun</td><td>45,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>45,000</td></tr></table> <p>The Directors' fee for the financial year ending 31 July 2019 will be tabled for shareholders' approval at the forthcoming Annual General Meeting.</p>	Group								Non-Executive Directors								Name of Directors		Director Fee (RM)	Other allowance	Meeting allowance (RM)	Total (RM)			Shamsudin @ Samad Bin Kassim		71,000	-	6,000	77,000			Tai Lam Shin		55,000	6,000	6,000	67,000			Loo Shen Chang		55,000	-	6,000	61,000			Executive Director								Name of Director	Fees	Salary (RM)	Bonus (RM)	EPF – Bonus (RM)	EPF (RM)	SOC SO (RM)	Total (RM)	Dr Goh Kar Chun	45,000	781,085	166,817	31,695	148,396	829	1,173,822	Company								Non-Executive Directors								Name of Directors		Director Fee (RM)	Other allowance	Meeting allowance (RM)	Total (RM)			Shamsudin @ Samad Bin Kassim		71,000	-	6,000	77,000			Tai Lam Shin		55,000	6,000	6,000	67,000			Loo Shen Chang		55,000	-	6,000	61,000			Executive Director								Name of Director	Fees	Salary (RM)	Bonus (RM)	EPF – Bonus (RM)	EPF (RM)	SOC S O (RM)	Total (RM)	Dr Goh Kar Chun	45,000	-	-	-	-	-	45,000
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Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the disclosure of the senior management's remuneration will impinge on the confidentiality and privacy of the respective individuals and may result in negative repercussions on the Group's human resources taking into consideration the size and dynamics of the Group's current operations.</p> <p>The Board is of the view that the negative repercussions and implications far outweigh the benefits to be derived from adopting the disclosures under the recommended practice 7.2.</p> <p>Disclosure of the remuneration of the Directors on a named basis has been made in line with Practice 7.1. The Board is entrusted with the stewardship role in driving the performance of the Group and its results reflected in the disclosures made in the audited financial statements of the Group.</p> <p>In MCE, the assessment of the senior management to ensure that their remuneration is commensurate with their individual performance taking into consideration the Company's performance is entrusted to the Board's NRC.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has opted to combine the functions of Risk Management Committee with the functions of the Audit Committee ("AC") on 1 November 2018 and the AC has been appropriately renamed as the Board's Audit and Risk Management Committee ("ARMC").</p> <p>The ARMC of MCE comprised wholly of Independent Non-Executive Directors.</p> <p>The ARMC is chaired by Mr. Loo Shen Chang who is an accountant by profession and a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysia Institute of Accountants (MIA). Meanwhile, the Chairman of the Board is Encik Shamsudin @ Samad Bin Kassim, an Independent Non-Executive Director.</p> <p>As such, the Chairman of the ARMC is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the ARMC assumed by different individuals allows the Board to objectively review the ARMC's findings and recommendations.</p> <p>The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on MCE's website at http://www.multicode.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The ARMC comprises of three (3) members, all whom are Independent Non-Executive Directors. At present, none of the ARMC members were former key audit partners of the Company's external auditors.</p> <p>As a measure to safeguard the independence and objectivity of the audit process, the ARMC has incorporated a policy stipulation that governs the appointment of a former key audit partner to the ARMC.</p> <p>The policy, which is codified in the ARMC's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a Committee member.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC has adopted a procedure to assess the suitability, objectivity and Independence of the External Auditors.</p> <p>The ARMC carried out the assessment of the performance, suitability, objectivity and independence of Messrs Crowe Malaysia based on an assessment questionnaire which took into consideration assessment criteria such as the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit. Messrs Crowe Malaysia were also requested to furnish a declaration of the Independence to the Company as part of these procedures.</p> <p>The ARMC has been generally satisfied with the independence, performance and suitability of Messrs Crowe Malaysia based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of Messrs Crowe Malaysia as External Auditors for the Financial Year Ending 31 July 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The ARMC of MCE is comprised wholly of Independent Non-Executive Directors as follows:</p> <p>Loo Shen Chang (Chairman, Independent Non-Executive Director)</p> <p>Shamsudin @ Samad Bin Kassim (Member, Independent Non-Executive Director)</p> <p>Tai Lam Shin (Member, Senior Independent Non-Executive Director)</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC comprises three (3) members as follows:</p> <p>Loo Shen Chang (Chairman, Independent Non-Executive Director)</p> <p>Shamsudin @ Samad Bin Kassim (Member, Independent Non-Executive Director)</p> <p>Tai Lam Shin (Member, Senior Independent Non-Executive Director)</p> <p>Collectively, the ARMC possesses a wide range of necessary skills to discharge its duties. All ARMC members are financially literate, whilst the Chairman of the ARMC is a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysia Institute of Accountants (MIA), and thus, fulfilling paragraph 15.09(1)(c) of MMLR, which requires at least one member of the ARMC to be a member of a professional accountancy body.</p> <p>The profiles of all the members of the ARMC are set out on page 9 to 10 of the Annual Report 2018. Mr Tai Lam Shin is also an Accountant by profession while Encik Shamsudin @ Samad Bin Kassim is an Economist with wide and varied work related experience in leadership roles throughout his career.</p> <p>All members of the ARMC have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the ARMC members had attended training courses. Details of their training can be seen on page 13 to 14 of the 2018 Annual Report for 2018.</p> <p>During the ARMC Meetings, the members were briefed by the external auditor, Messrs. Crowe Malaysia on the following key areas:</p> <ul style="list-style-type: none">• Financial Reporting developments;• Adoption of Malaysian Financial Reporting Standards;• Malaysian Code on Corporate Governance ("MCCG"); and• Other changes in regulatory environment.

Explanation for departure	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
Measure	:			
Timeframe	:	<table border="1"> <tr> <td></td> <td></td> </tr> </table>		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company though its Board has established an existing Enterprise Risk Management Framework which is overseen by a Risk Management Working Committee ("RMWC") which is chaired and led by the Group Managing Director ("GMD"). The members of this RMWC comprise of selected heads of department and other management personnel as deemed appropriate by the GMD.</p> <p>The Group continues to maintain and retain its generic control framework in its operations. These generic internal controls which have been embedded in the business processes and activities are the management reporting structure, authority and approval limits and procedures, segregation of duties, budgeting, management review procedures as well as the periodic reporting and review of performance.</p> <p>In addition, the manufacturing arm of the Group is certified under the ISO 14001: 2015 Environmental Management System Certification and the new International Automotive Task Force (IATF) 16949, the harmonised standard for automotive supply chain. These management systems formed the basis of operational procedures in the production processes. Internal quality audits are carried out on quarterly basis while annual surveillance audits are conducted by external certification body to provide assurance of compliance with the ISO and IAFT requirements.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The Board has disclosed the key features of its risk management and internal control system in detail in the Statement on Risk Management and Internal Control on page 29 to 32 of the Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board had opted to combine the roles of a Risk Management Committee with the Audit Committee in view of the current size and level of operation of the Group.</p> <p>The ARMC comprises three (3) members which is comprised of wholly of independent Non-Executive Directors as follows:</p> <p>Mr. Loo Shen Chang (Chairman, Independent Non-Executive Director)</p> <p>Encik Shamsudin @ Samad Bin Kassim (Member, Independent Non-Executive Director)</p> <p>Mr. Tai Lam Shin (Member, Senior Independent Non-Executive Director)</p>

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>MCE's internal audit function is outsourced to a professional internal audit services company, to assist the Board and ARMC in providing an independent assessment on the adequacy, efficiency and effectiveness of the MCE's internal control system.</p> <p>During the year under review, the outsourced internal audit function carried out audits in accordance with the risk-based internal audit plan approved by the ARMC. The internal audit plan was developed taking into consideration the Group's risk profiles and concerns of Executive Management and the ARMC.</p> <p>To support the ARMC in discharging their responsibilities, the Internal Auditors reports directly to the ARMC.</p> <p>Further details of the internal audit activities are set out in the Audit Committees Report and Statement on Risk Management and Internal Control of the Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>MCE's internal audit function is outsourced to a professional services firm, to assist the Board and ARMC.</p> <ol style="list-style-type: none">1. The outsourced Internal Audit personnel are free from any relationship or conflicts of interest with any members of the staff or management of the Group.2. The number of resources assigned by the outsourced Internal Audit department for the Company is 4 to 5 persons per visit.3. The person responsible for Internal Audit is Mr Dennis Mah, a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).4. In carrying out their audit work, the internal audit function made reference to the guidelines of the International Professional Practices Framework as well as the Group's standard of operating policies.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of communications with its stakeholders and is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.</p> <p>The Board had in place a Stakeholders Communication Policy which sets out the aims and practices of the Company in respect of communicating with its stakeholders (both current and prospective) and the Corporate Disclosure Policy:</p> <ul style="list-style-type: none">• To promote and elevate a high standard of integrity and transparency through timely comprehensive, accurate, quality and full disclosure.• To promote and maintain market integrity and investor confidence.• To exercise due diligence to ensure the veracity of the information being disseminated is factual, accurate, clear, timely and comprehensive.• To build good relationship with all stakeholders based on transparency, openness, trust and confidence.• To have in place efficient procedures for management of information, which promotes accountability for the disclosure of material information. <p>The detailed Stakeholders Communication Policy and Corporate Disclosure Policy are available on MCE's corporate website at http://www.multicode.com.my</p> <p>During FY2017, the Board ensured the supply of clear, comprehensive and timely information to the stakeholders via the following:</p> <ol style="list-style-type: none">a) Publication of 2017 annual report;b) Provide all relevant disclosures including quarterly financial results of the MCE by way of announcement through Bursa link;c) Frequent updating of information relevant to Investor Relations, such as annual report, financial results and announcements through MCE's website;d) Engagement with shareholders through 2017 Annual General Meeting where the Chairman highlighted to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting

	for all resolutions tabled at general meetings and review of the performance of the company during Annual General Meeting.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a Large Company as defined by the MCCG. The Company has not adopt integrated reporting based on the globally recognised framework as it is not a statutory requirement.	
		In addition, the annual report presently contains financial and non-financial information which provides a fairly comprehensive overview of the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The 3rd Annual General Meeting of MCE will be held on 27 December 2018. The notice of at least 21 days prior to the date of the Annual General Meeting is in accordance with the provision of the Constitution and Companies Act 2016 which the Board is of the opinion already allows sufficient time for the shareholders to consider the proposed resolutions to be tabled at the Annual General Meeting.</p> <p>In addition, the notice of Annual General Meeting also included details and relevant explanatory notes to the resolutions proposed to enable the shareholders to make informed decisions in exercising their voting rights.</p> <p>The Annual Report 2018 together with the Notice of the 3rd Annual General Meeting dated 28 November 2018 is also available on MCE's website http://www.multicode.com.my</p> <p>The AGM is convened at a venue and locality that is easily accessible with ample conveniences to enable shareholders to attend, participate and engage the Board and Senior Management as well as to exercise their voting rights in accordance with the Constitution of the Company and the Companies Act 2016.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors, including members of ARMC and NRC, attended the 2nd Annual General Meeting held on 20 December 2017 to interact directly with the Company's shareholders. The Management and the EA were also present to answer any relevant shareholder's queries. During the question and answer session, the Chairman opened the floor to the shareholders to raise questions related to the Company's financial statements and any other items on the meeting's Agenda, before putting the resolutions to vote. The summary of key matter discussed, if any, will be published on the Company website in accordance to the requirement of the MMLR.</p> <p>The presence of all directors presented opportunities for the shareholders to engage with each Director and also allowed the shareholders to raise questions and concerns directly to the Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>MCE currently has 1,830 shareholders as at 20 November 2018 and its 3rd Annual General Meeting will be held on 27 December 2018.</p> <p>As the number of shareholders are not overly large and the venue of the meeting place is easily accessible to all shareholders the need to leverage and adopt the latest technology is not viable at this juncture.</p> <p>Shareholders are entitled to appoint proxies/attorneys to attend and vote on their behalf should they be unable to do so in person.</p>	
		<p>MCE will only consider leveraging on such technology when it is financially justified and commercially viable to do so.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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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