

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5371  
**COMPANY NAME** : KIM HIN INDUSTRY BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## 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 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 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has the overall responsibility for corporate governance, strategic directions, formulation of policies and overseeing the investments and operations of the Company.</p> <p>Please refer below key responsibilities of the Board:</p> <p><b>(i) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour</b></p> <p>The Board is committed to instil a healthy corporate governance culture in the Group.</p> <p>The Group's Corporate Values are:</p> <ul style="list-style-type: none"><li>• A role model and a good corporate citizen</li><li>• Provide highest quality products and services to our customers</li><li>• Commitment to our employees' welfare and well being</li><li>• To instil a culture of discipline, integrity, teamwork and proactivity amongst our people</li></ul> <p><b>(ii) Review, challenge and decide on management's proposals for the Company, and monitor its implementation by management</b></p> <p>The Board has established the Authority Chart for the Group which clearly sets out relevant matters or management's proposals reserved for the Board's approval.</p> <p>The management's proposal tabled at the Board Meeting shall be deliberated and scrutinise and seek further clarification from the management if need arises.</p> <p>The day-to-day management of the Group is delegated to the relevant Executive Directors, the Group Managing Director and Senior Management.</p>

In addition, the Board shall ensure that the goals and targets set for management are met and in line with the Group's long-term objectives.

**(iii) Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability**

As a responsible corporate citizen, the Group has put in place sustainability initiatives to address the sustainability-related issues in an effort to create long-term value for the Group.

Details of the Group's sustainability initiatives are set out in Sustainability Statement in the Annual Report.

**(iv) Supervise and assess management performance to determine whether the business is being properly managed**

The Board via Risk Management Committee has established Key Risk Indicators ("KRI") to measure the operational and financial performance of the Group. The KRI shall be monitored monthly and any shortfall of the target, the management shall take remedy actions to achieve those targets set.

**(v) Ensure there is a sound framework for internal controls and risk management**

The Board has put in place a Risk Management Framework for the management to identify, evaluate and monitor significant risks. Please refer to the Statement on Risk Management and Internal Control of the Group in the Annual Report for further details.

**(vi) Understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks**

The Board acknowledges its overall responsibility and the importance of sound risk management and internal control, and for reviewing the adequacy and integrity of those system. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.

**(vii) Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management**

The Board recognises the importance of orderly succession of the Board and senior management. The Board is taking steps to identify suitable potential candidates for the succession planning of the Executive Directors and senior management.

	<p>In this respect, the Board also place emphasis on talent development in the Group so as to provide opportunities for employees to hone their capabilities and leadership skills.</p> <p><b>(viii) Ensure that the Group has in place procedures to enable effective communication with stakeholders</b></p> <p>The Board is committed to provide effective and timely communication with its stakeholders. The Group uses a number of formal channels for effective dissemination of information to the public through Annual Reports and announcements to Bursa Malaysia Securities Berhad. The Group’s website provides relevant information for the stakeholders and it also acts as an avenue for the stakeholders to raise any query or feedback.</p> <p><b>(ix) Ensure the integrity of the Group’s financial and non-financial reporting</b></p> <p>The Board places great emphasis on establishing a sound framework on corporate reporting, including financial and non-financial reporting. Relevant disclosures have been made in the Annual Report pertaining to corporate governance, sustainability and other non-financial aspects of the Group.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<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>:</p>
<p><b>Timeframe</b></p>	<p>:</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 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr. Chua Seng Huat is the Executive Chairman of the Company. The Executive Chairman is primarily responsible for the orderly conduct and working of the Board.</p> <p>Key responsibilities of the Executive Chairman include the following:-</p> <ul style="list-style-type: none"><li>• providing leadership for the board so that the board can perform its responsibilities effectively;</li><li>• setting the board agenda and ensuring that board members receive complete and accurate information in a timely manner;</li><li>• leading board meetings and discussions;</li><li>• encouraging active participation and allowing dissenting views to be freely expressed;</li><li>• managing interface between board and management;</li><li>• ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and</li><li>• leading the board in establishing and monitoring good corporate governance practices in the company.</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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There is a clear division of responsibilities between the Executive Chairman and the Group Managing Director to ensure that there is balance of power and authority and no one individual has unfettered powers of decision. The Executive Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.</p> <p>The respective duties and responsibilities of the Executive Chairman and the Group Managing Director are contained in the Board Charter.</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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary of Kim Hin Industry Berhad is Mdm Yeo Puay Huang. She holds a Company Secretary License and a Practising Certificate issued by Companies Commission of Malaysia. Mdm. Yeo is qualified to act as a Company Secretary under Section 235 of the Companies Act 2016. She has more than 42 years of professional experience in corporate secretarial practices.</p> <p>The Company Secretary plays an advisory role in supporting the Board to uphold high standards of corporate governance. As a counsel to the Board, she provides the Board with periodic updates and compliance requirements from the Main Market Listing Requirements, Companies Act 2016 and other regulatory requirements.</p> <p>The Company Secretary also ensures that there is good information flow within the Board, Board Committees and senior management.</p> <p>She also serves as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>In order to upskill herself and keep abreast with the latest development in corporate governance matters, the Company Secretary attended relevant training and professional development programmes during the financial year with regards to Companies Act 2016, Main Market Listing Requirements and Malaysian Code on Corporate Governance.</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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of sound and timely information flow to facilitate robust board discussions. The Chairman, together with the Company Secretary and the management, are responsible for ensuring the Directors are provided with sufficient and timely information to prepare for board meetings.</p> <p>The meeting materials or board papers are circulated to the Board five days prior to each meeting.</p> <p>The deliberations and decisions of the board are duly recorded in the Board's minutes. The draft minutes are circulated to the Executive Chairman for his review within a reasonable timeframe after the meeting. The minutes of meetings also capture the deliberations and decisions, rationale for decisions made, fundamental questions raised and key points of discussions, and any dissent views and abstentions made by the directors.</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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by its Board Charter which sets out the Board's strategic intent, roles and responsibilities of the Directors, Board membership guidelines, leadership development, Board and member evaluations, Directors' remuneration, meeting procedures and Code of Conduct for Directors.</p> <p>The Board Charter shall be periodically reviewed and updated at such interval the Board deems necessary taking into consideration the needs of the Company and changes in the regulatory requirements that may affect the Directors' duties and responsibilities.</p> <p>The Board Charter is available on the Group's website, <a href="http://www.kimhin.com.my">www.kimhin.com.my</a></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

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Conduct and Ethics outlines the principles, policies and rules that govern the activities of the Group, and the employees are subject to a set of values and standards of conduct that is expected of them.</p> <p>The Code of Conduct and Ethics shall shape the corporate culture and driving conduct within the Company. It serves as both an internal guideline and external statement of corporate values and commitment. It could also act as a central point of reference for employees to support their day-to-day decision-making.</p> <p>The Code of Conduct and Ethics covers the following areas:</p> <ul style="list-style-type: none"> <li>• Working with customers and suppliers</li> <li>• Working with the government</li> <li>• Workplace responsibilities</li> <li>• Protecting the Company's interests and assets</li> <li>• Employee conduct</li> </ul> <p>The Code of Conduct and Ethics is published on the Group's website at <a href="http://www.kimhin.com.my">www.kimhin.com.my</a>.</p> <p>The Board reviews and update the Code of Conduct and Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.</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 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has in place the Whistle Blowing Policy in 2014 with the objective of promoting and maintaining high standard of transparency, accountability and ethics as well as good corporate governance practices in the workplace.</p> <p>The Whistle Blowing Policy serves as the internal complaint framework for employees or other stakeholders to raise concerns about illegal or unethical activity that they are aware of through their work, without fear of reprisals or retaliations.</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 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board comprises of eight (8) members, three (3) of the members are Independent Directors and their names are as follows:</p> <ul style="list-style-type: none"><li>• Mr. Fong Tshu Kwong;</li><li>• Mr. Ong Ah Ba; and</li><li>• Mr. Yong Lin Lin</li></ul> <p>The appointment of Mr. Fong as the Senior Independent Director, provides an additional channel for the Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board.</p> <p>Annually, the Independent Directors have scheduled at least two (2) private sessions with the external auditors, without the presence of the executive directors and management. This provides opportunity for the Independent Directors to candidly share concerns about the company and exchange views on potential improvements in governance.</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

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.

<b>Application</b>	:	Applied - Two Tier Voting.
<b>Explanation on application of the practice</b>	:	<p>The Board will seek shareholders' approval in the event that a Director, who has served in that capacity for more than nine (9) years, retains as Independent Director. For a Director retained as an Independent Director after the twelfth (12th) year, the Board shall seek shareholders' approval annually through a two-tier voting process as provided under the Malaysian Code on Corporate Governance 2017.</p> <p>The Nomination Committee ("NC") had reviewed and recommended to the Board for Mr. Fong Tshu Kwong, who had served the Company for the tenure of more than twelfth (12) years to continue to serve as an Independent Director of the Company, subject to the annual approval of the shareholders' through a two-tier voting process as stipulated in the Malaysian Code on Corporate Governance 2017.</p> <p>The NC had also reviewed and recommended to the Board for Mr. Ong Ah Ba, who had served the Company for the tenure of more than nine (9) years to continue to serve as an Independent Director of the Company, subject to the annual approval of the shareholders.</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 4.3 - Step Up**

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

<b>Application</b>	:	Not adopted
<b>Explanation on adoption 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.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	Appointment of Board and senior management are based on objective criteria, merit and besides diversity in skills, experience, age, cultural background and gender.  The Group is also committed to providing an inclusive workplace that embraces and promotes diversity.	
<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.

<b>Application</b>	:	Applied.	
<b>Explanation on application of the practice</b>	:	The Board adopted the Boardroom and Workforce Diversity Policy in 2015.  The Board recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.  Currently, the Company has six (6) male Directors and two (2) female Directors.	
<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 4.6

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination Committee is responsible for recommending suitable candidates for Directorship to the Board.  In searching for suitable candidate, the Nomination Committee may receive suggestions from existing Board Members, management, and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.	
<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 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Nomination Committee is the Senior Independent Director.</p> <p>Given that the Senior Independent Director serves as a confidant to the other directors, he is well-placed to oversee the assessment of the Board's Chairman, taking into account a broad range of perspectives.</p> <p>Besides, the Senior Independent Director also acts as a sounding board to the Chairman (for example offer counsel to the Chairman on matters such as board dynamics and concerns of stakeholders) and serves as intermediary for other directors when necessary.</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

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.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	The Nomination Committee (“NC”) conducts annual Board Evaluation pursuant to Paragraph 15.08A(3)(c) of the Main Market Listing Requirements of Bursa Securities. The Board evaluation comprises Board and Board Committees' assessments, assessment of independence of Independent Directors, and the contribution of each individual Director. The evaluations involved individual Directors and Committee members completing a set of evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered by the Company. The criteria for assessing the independence of an Independent Director include the relationship between the respective Independent Directors and the Group. All assessments and evaluations carried out by the NC were properly documented. The overall results of the evaluation were rated above average.
<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.

<b>Application</b>	:	Departure.	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board had formalised the Directors' Compensation Policy on 26 February 2018. However, the Board has yet to formalise remuneration policies and procedures for the 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>	:	The Board intends to put in place the remuneration policies and procedures for senior management. The Board acknowledges the importance of formalisation of remuneration policies and procedures in order to attract and retain Directors and senior management with the right talents and competencies.	
<b>Timeframe</b>	:	Within 3 years	

## 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.

<b>Application</b>	:	Applied.
<b>Explanation on application of the practice</b>	:	<p>The Board has established the Remuneration Committee, comprises of a majority of Non-Executive Directors.</p> <p>The Remuneration Committee responsibilities include to establish compensation strategy, compensation policies and programs, and management development plans.</p> <p>The Terms of Reference of the Remuneration Committee is available on the Group's website at <a href="http://www.kimhin.com.my">www.kimhin.com.my</a>.</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**

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>	:	The detailed disclosure on named basis for the remuneration of individual directors are set out on page 21 under Corporate Governance Overview Statement of the Annual Report 2019.	
<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 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 remuneration paid to the top five senior management's remuneration is disclosed in bands of RM50,000 instead of on named basis on page 21 under Corporate Governance Overview Statement of the Annual Report 2019.
	:	The Board resolved not to disclose the senior management remuneration on a named basis due to confidentiality and sensitivity concerns.
		The Board ensures that the remuneration of the senior management is commensurate with the performance of the Company and to have effective remuneration package for talent attraction and retention.
<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 adoption 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>	:	<p>The Chairman of the Audit Committee is Mr. Fong Tshu Kwong, who is also the Senior Independent Director of the Company. The Chairman of the Board is Mr. Chua Seng Huat.</p> <p>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.</p> <p>In addition, the separation of these two positions ensure that the Chairman of the Audit Committee to devote sufficient time to the affairs of the Committee.</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 8.2**

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>	:	<p>Currently, none of the Audit Committee members were former key audit partner of the external audit firm of the Company.</p> <p>In an effort to preserve the integrity and credibility of the audit process, the Audit Committee has incorporated a policy in its Terms of Reference which requires a former key audit partner to observe a cooling-off period of at least two years before appointment as a member of the Audit Committee.</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 8.3

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 Audit Committee had three (3) independent meetings with the External Auditors in February, March and November 2019 respectively, without the presence of the Executive Directors, the management and Internal Auditors. The Audit Committee enquired about the management's cooperation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.</p> <p>The Audit Committee is responsible for assessing the suitability, objectivity and independence of the external auditor and to make recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>On 26 February 2020, the Audit Committee undertook an annual evaluation of the quality of external audit which encompassed the following areas:</p> <ul style="list-style-type: none"><li>i) the quality of services and sufficiency of resources provided by the External Auditors;</li><li>ii) the quality of communication with the Audit Committee;</li><li>iii) the independence, objectivity and professional skepticism of the External Auditors.</li></ul> <p>The Audit Committee received written confirmation from the External Auditors regarding their independence to the Group.</p> <p>The Audit Committee also obtained input from the Company's personnel who has substantial contact with the External Auditors, in relation to the external auditors' performance. The Company's personnel was given a set of questionnaire to assess the quality of services provided, the independence and professional skepticism demonstrated by the External Auditors' team and the firm.</p> <p>The Audit Committee was satisfied with the suitability of the External Auditors based on the quality of services, technical competency and sufficiency of resources they provided to the Group.</p> <p>The Board at its meeting held on 26 February 2020 approved the Audit Committee's recommendation to re-appoint Ernst &amp; Young as the External Auditors of the Group for the financial year ending 31 December 2020, subject to the shareholders' approval to be sought at the forthcoming annual general meeting.</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>	:	Applied.
<b>Explanation on adoption of the practice</b>	:	The members of the Audit Committee of the Company are all Independent Directors.

## 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>The members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and regulatory requirements.</p> <p>During the year, the Audit Committee were briefed by the external auditor and the Company Secretary respectively on the following key areas:</p> <ul style="list-style-type: none"><li>• Financial Reporting developments;</li><li>• Adoption of Malaysian Financial Reporting Standards;</li><li>• Malaysian Code on Corporate Governance 2017; and</li><li>• Other changes in regulatory environment.</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

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>	:	<p>The Board acknowledges its overall responsibility and the importance of sound risk management and internal control, and for reviewing the adequacy and integrity of those system. The system of risk management and internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.</p> <p>The Group has an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of risk management and internal control when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Main Market Listing Requirements of Bursa Securities and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control ("SRMICG").</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 9.2

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 Corporate Risk Scorecard system helped management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that were previously identified, and following up with the implementation of the control plans. During the financial year under review, the Group has reaffirmed its criteria used in defining the level of significance as well as impact of risks affecting the business.</p> <p>The Group identified Revenue, Inventory, Trade Receivables, Production and Foreign Exchange as its major risks and these major risks are monitored as Key Risk Indicators on a monthly basis. Controls were also identified and evaluated to mitigate the risks with risk owners assigned to manage these risks.</p> <p>In addition, the Group has other key control processes in place for its control environment to further enhance its evaluation and managing processes for risk management and internal control:</p> <ul style="list-style-type: none"><li>• A formalised Board Charter and Code of Conducts for Directors;</li><li>• Establishment of Employee's Handbook and Code of Ethic;</li><li>• Well structure organisation chart with defined lines of responsibilities and duties as specified in the job terms of reference;</li><li>• Existence of Standard Operating Procedures under the governance of Quality Management System for the Group's manufacturing operations in Malaysia (Kuching and Seremban) and People Republic of China (Shanghai);</li><li>• Scheduled meeting of Management Review Meetings and Management Meetings; and</li><li>• Continuous monthly monitoring of the Group's Corporate Key Performance Indicators ("KPI"), financial policy and use of Enterprise Resource Planning (ERP) by the Group's operations in Malaysia.</li></ul> <p>The Group's Kuching and Seremban plants has successfully been re-certified under ISO 9001: 2015 Quality Management System. The latest version of ISO 9001 has adopted a risk based approach which adds further assurance to the Group's risk management for its operations. Existence of Standard Operating Procedures under the governance of compulsory product certification by China Quality Certification Centre for the Group's manufacturing operations in People Republic of China (Shanghai).</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 9.3 - 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 adoption 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 Audit Committee is responsible for reviewing the adequacy of the scope, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its work.</p> <p>The Audit Committee also reviews and approve the Annual Internal Audit Plan and ensure that the findings and recommendations of action plans from the internal auditors are implemented by the management.</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 internal audit function of the Group is outsourced to Core Business Success Sdn. Bhd.</p> <p>Mr Wee Hun Been and Ms Chua Pek Geok are the lead auditors assigned by the outsourced of internal audit services provider to the Group.</p> <p>Mr Wee is a member of Malaysian Institute of Accountants. He also holds a qualification under Chartered Institute of Management Accountants (focused on Internal Audit, Treasury Management and Manufacturing Accounting). He has extensive experience in audit, secretarial and tax advisory services.</p> <p>Ms Chua Pek Geok is a member of Malaysian Institute of Accountants and qualified as an Accountant under Chartered Institute of Management Accountants (focused on Internal Audit, Treasury Management and Manufacturing Accounting).</p> <p>The internal audit services provider is staffed by four experienced internal audit team members and ten audit assistants.</p> <p>The Internal Auditors adopted the COSO (Committee of Sponsoring Organisation) Framework in carrying out their audit work.</p> <p>The Internal Auditors confirmed that they are free from any relationships or conflicts of interest, which could impair their objectivity and independence in the course of carrying out their function.</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>Stakeholders of the Company which include the shareholders, customers, employees, suppliers amongst others which can be benefitted or affected by the Company's actions in the pursuit of its primary objectives.</p> <p>The stakeholders expect the Company to have timely and accurate dissemination of information and demand greater transparency on their disclosures for them to form an informed view on the Company.</p> <p>Therefore, the Board endeavours to ensure that communication with stakeholders is conducted in a timely and effective manner.</p> <p>The Company utilises the Annual Reports, announcements to Bursa Malaysia Securities Berhad, Annual General Meetings, and the Group's website to disseminate information to stakeholders.</p> <p>Through our Corporate website at <a href="http://www.kimhin.com.my">www.kimhin.com.my</a>, stakeholders are able to access information on the Group's background, products etc and it also acts as an avenue for them to raise any query by email or phone. Primary contact details are also set out in the website.</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>	:	Not applicable as Kim Hin Industry Berhad is not a Large Company.	
<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>	:	Since the 45 <sup>th</sup> Annual General Meeting held in year 2018, the Company adopts this Practice 12.1 by which the Notice of Annual General Meeting (“AGM”) together with Annual Report and Circular to Shareholders are announced to Bursa Malaysia Securities Berhad at least 28 days before the AGM. The application of this practice shall ensure sufficient time for the shareholders to consider the resolutions that will be discussed and decided at the AGM. In addition, the Notice of the AGM is advertised in the nationally circulated newspapers in English language.	
<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>	:		
<b>Explanation for departure</b>	:	The Directors have always committed to attend the AGM. All Directors attended the Company's AGM held in 2019.	
		The Chairman of the respective Board Committees were present to facilitate discussions and address any questions which may be raised by the shareholders pertaining to matters fall under the purview of the Committees.	
<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 12.3

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>	:	Applied.	
<b>Explanation on application of the practice</b>	:	The Annual General Meeting of the Company has been held within the city of Kuching and not in remote location.	
<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>	:		

**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.*

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