



# KIM HIN INDUSTRY BERHAD

Registration No.: 197301003569 (18203-V)

ANNUAL REPORT

# 2021





## VISION

To be a world class ceramic tile producer and distributor by providing products and services of superior values and by sustaining consistent long term growth in volume and profitability.

## MISSION

We shall strive to be a leader in the ceramic industry by

- achieving responsible and balanced commercial success
- satisfying our customers' needs
- enhancing shareholders' values and to provide fair returns to shareholders
- providing rewarding careers to our employees
- having mutually beneficial relationship with our business associates
- participating and contributing effectively towards nation building

## CORPORATE VALUES

- A role model and a good corporate citizen.
- Provide the highest quality products and values to our customers.
- Commitment to our employees' welfare and well being.
- To instill a culture of discipline, integrity, teamwork and proactivity amongst our people.





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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Ninth Annual General Meeting ("49<sup>th</sup> AGM") of KIM HIN INDUSTRY BERHAD ("Kim Hin" or "the Company") will be held at Kim Hin Industry Berhad's Conference Room, 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak, Malaysia on Monday, 30 May 2022 at 2.00 p.m. for the following businesses:

### AGENDA

#### As Ordinary Business:

- |    |   |   |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of Directors and Auditors thereon.  | <b>[Please refer to Explanatory Note No. 1]</b>       |
| 2. | To approve the payment of Directors' fees amounting to RM271,000 for the financial year ended 31 December 2021.   | <b>Resolution 1</b>                                   |
| 3. | To re-elect the following Directors who shall retire by rotation pursuant to Clause 118 of the Constitution of the Company, and being eligible, offer themselves for re-election:<br>(i) Dato' John Chua Seng Chai<br>(ii) Mdm. Pauline Getrude Chua Hui Lin<br>(iii) Mr. Fong Tshu Kwong | <b>Resolution 2<br/>Resolution 3<br/>Resolution 4</b> |
| 4. | To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.   | <b>Resolution 5</b>                                   |

#### As Special Business

**To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions:**

- |    |  |                     |
|----|--|---------------------|
| 5. | <b>Authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016</b><br><br>"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issue."   | <b>Resolution 6</b> |
| 6. | <b>Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Shareholders' Mandate")</b><br><br>"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be hereby given to the Company and/or its subsidiaries ("Kim Hin Group") to enter into any of the categories of related party transactions which are recurrent, of a revenue or trading nature and are necessary for the day-to-day operations of Kim Hin Group as outlined in Section 3.2 of the Circular to Shareholders dated 28 April 2022 ("Circular"), with the specific related parties mentioned therein subject further to the followings:<br><br>THAT approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in the Circular to shareholders dated 28 April 2022 with the specific related parties mentioned therein which are necessary for Kim Hin Group's day-to-day operations subject further to the following :<br><br>(i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; and | <b>Resolution 7</b> |

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (ii) disclosure is made in the annual report for the breakdown of the aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:-
- the type of the recurrent related parties transactions made; and
  - the names of the related parties involved in each type of the recurrent related parties transactions made and their relationship with the Company.

**AND THAT** such approval shall continue to be in force until:

- (i) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

**AND THAT** the Board of Directors of the Company be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the specified Proposed Shareholders' Mandate.

**AND THAT** the estimated value given on the recurrent related party transactions specified in Appendix 1 of the Circular being provisional in nature, the Board of Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 3.5 of the Circular."

### 7. Proposed Retention of Independent Non-Executive Directors pursuant to Principle A Practice 5.3 of the Malaysia Code of Corporate Governance 2021 ("MCCG 2021")

- (i) "THAT subject to the passing of Resolution 4, Mr. Fong Tshu Kwong who has served the Board as Independent Non-Executive Director of the Company for more than twelve (12) years since 21 May 2001, be and is hereby retained as Independent Non-Executive Director of the Company through a two-tier voting process until the conclusion of the next AGM in accordance with MCCG 2021."
- (ii) "THAT Mr. Ong Ah Ba who has served the Board as Independent Non-Executive Director of the Company for more than twelve (12) years since 8 December 2009, be and is hereby retained as Independent Non-Executive Director of the Company through a two-tier voting process until the conclusion of the next AGM in accordance with MCCG 2021."

**Resolution 8**

**Resolution 9**

8. To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Constitution.

**By Order of the Board of Directors,**

**Yeo Puay Huang**  
**[SSM PC No. 202008000727(LS 0000577)]**  
**Company Secretary**

**Kuching, Sarawak**  
**Dated: 28 April 2022**

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Explanatory Note to Ordinary Business:

- 1) The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act 2016. Hence, this Agenda item will not be put forward for voting.

### Explanatory Notes to Special Business:

#### 2) Authority to allot shares pursuant to Section 75 and Section 76 of the Companies Act 2016 (Proposed Resolution 6)

The Proposed Resolution 6, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares to such persons in their absolute discretion without convening a general meeting provided the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate granted by the shareholders at the 48th Annual General Meeting of the Company had not been utilized and hence no proceed was raised therefrom.

The General Mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares, for purposes of funding investment(s), repayment of borrowings, working capital and/or acquisition(s).

#### 3) Shareholder Mandate for recurrent related party transactions (Proposed Resolution 7)

Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed Resolution 7, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in Section 3.2 of the Circular dated 28 April 2022 ("Circular"), which are necessary for the Kim Hin Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of Kim Hin Group or adversely affecting the business opportunities available to Kim Hin Group.

#### 4) Retention of Independent Non-Executive Directors (Proposed Resolutions 8 and 9)

The Nominating Committee had accessed the independence of Mr. Fong Tshu Kwong and Mr. Ong Ah Ba, who have served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and the Board had recommended that the approval of the shareholders be sought to retain them as the Independent Non-Executive Directors through a two-tier voting process, as they have possessed the following attributes necessary in discharging their roles and functions of Independent Non-Executive Directors.

- (i) Fulfill the criteria of Independent Directors as stated in the Bursa Malaysia Securities Berhad Main Market Listing Requirements;
- (ii) Have served the Board for more than twelve (12) years and therefore possess great knowledge on the strategies, operations of the Group;
- (iii) Participate actively in Board and Board Committees deliberations and provides objective judgement and input to the Board;
- (iv) Exercise their professional duties in the best interest of the Group; and
- (v) In accordance to the MCG 2021, the Company is not classified as a Large Company.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Notes

1. Only Depositors whose names appear in the General Meeting Record of Depositors as at 23 May 2022 be regarded as Members and shall be entitled to attend, speak and vote at the 49<sup>th</sup> AGM.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his/her place. A proxy need not be a member of the Company. Where a holder appoints two or more proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. A corporation which is a member may by resolution of its directors authorise such person as it thinks fit to act as its representative at the meeting pursuant to Section 333 of the Companies Act 2016 and the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney, and the person so appointed may attend and vote at the meeting at which the appointer is entitled to vote.
6. The instrument appointing a proxy or representative must be deposited at the registered office at 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak, Malaysia not less than forty-eight (48) hours before the time for holding the meeting.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.
8. Registration will start at 1:00 p.m. at Kim Hin Industry Berhad's Conference Room, 4 ½ Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak, Malaysia on Monday, 30 May 2022.
9. As a precautionary measure against the spread of Covid-19, members are strongly encouraged to appoint either the Chairman of the Meeting or any of the Independent Directors as proxy to vote in his stead.
10. At the physical meeting, members are advised to observe the applicable directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Securities Council, and other relevant authorities to curb the spread of Covid-19 are abided by; ensure a physical distance of at least one (1) meter between each meeting participant at all times; and all participants have to wear face masks.
11. The Company will continue to monitor the Covid-19 pandemic situation closely and may adopt further procedures and measures at short notice as public health situation changes. Members can check further update on the Company's website at [www.kimhin.com.my](http://www.kimhin.com.my).

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Chua Seng Huat**  
(Executive Chairman)

**Dato' John Chua Seng Chai**  
(Group Managing Director)

**Chua Seng Guan**  
(Group Executive Director)

**Pauline Getrude Chua Hui Lin**  
(Executive Director)

**Chua Yew Lin**  
(Executive Director)

**Fong Tshu Kwong**  
(Senior Independent Non-Executive Director)

**Ong Ah Ba**  
(Independent Non-Executive Director)

**Yong Lin Lin**  
(Independent Non-Executive Director)

### COMPANY SECRETARY

Yeo Puay Huang  
[SSM PC No. 202008000727 (LS 0000577)]

### SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur, Malaysia.  
Tel: 03-2783 9299  
Fax: 03-2783 9222

### REGISTERED OFFICE

4 1/2 Mile, Kung Phin Road,  
Off Penrissen Road,  
93250 Kuching, Sarawak, Malaysia.  
Tel: 082-451567  
Fax: 082-452135

### WEBSITE

[www.kimhin.com.my](http://www.kimhin.com.my)

### ADVOCATES & SOLICITORS

Wong Lu Peen and Tunku Alina  
21-6, Block B, The Boulevard,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur, Malaysia.

### AUDITORS

Ernst & Young PLT  
Chartered Accountants  
3<sup>rd</sup> Floor, Wisma Bukit Mata Kuching,  
Jalan Tunku Abdul Rahman,  
93100 Kuching, Sarawak, Malaysia.

### PRINCIPAL BANKERS

CIMB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
Standard Chartered Bank Malaysia Bhd  
United Overseas Bank (Malaysia) Berhad

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

### STOCK NAME

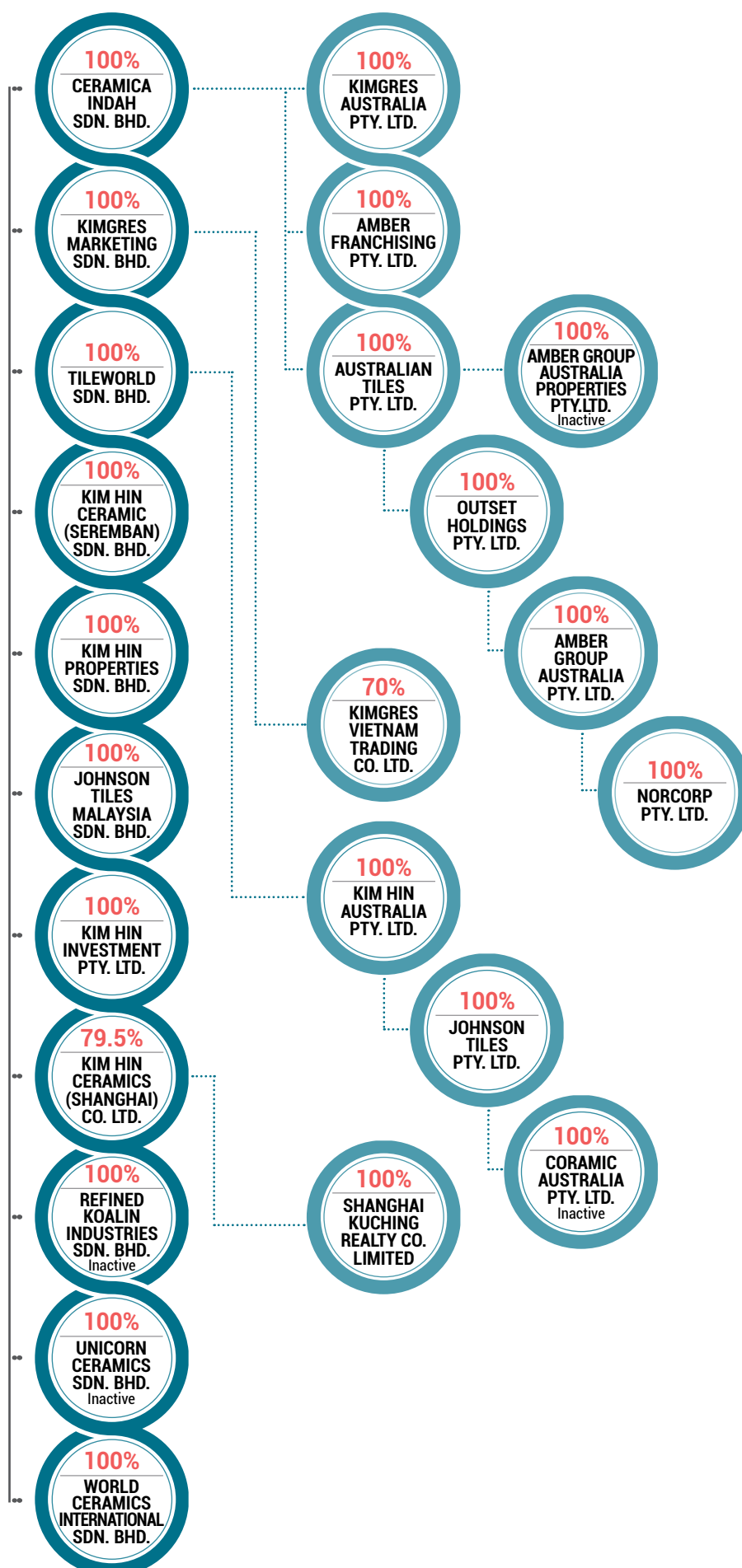
KIMHIN

### STOCK CODE

5371



## GROUP CORPORATE STRUCTURE



## CHAIRMAN'S STATEMENT

Dear valued stakeholders,

I am grateful to have the opportunity to write to you again as Executive Chairman of Kim Hin Industry Berhad (the "Company") and to present to you the Annual Report of the Group and of the Company for the financial year ended 31 December 2021.

On behalf of the Board, I would like to first wish everyone the best of health in this Coronavirus disease 2019 ("Covid-19") pandemic time. I am glad to inform you that our management has taken very active steps to encourage Covid-19 vaccinations for the safety of our employees. To-date, we have achieved almost 100% full vaccination and booster status for our employees. Although the vaccine will not completely prevent a person from getting Covid-19, it is effective in preventing serious illness or death, thereby allowing the vaccinated person to live with relative peace of mind.

As the challenges associated with Covid-19 continued throughout 2021, the Group and the Company were not spared from the vulnerabilities faced by many businesses, resulting from the threats posed by the prolonged Covid-19 outbreak. The Group operated in a difficult operating environment in 2021, with negative impact on the supply chain and less than 100% workforce capacity allowed in our operations. The Board has reviewed the actions taken by the management of the Group during the unprecedented pandemic and believes that they have performed admirably in taking all necessary actions and precautions to ensure operational continuity and safeguarding the health and safety of our stakeholders. This has ensured that the Group's operational processes and service levels were not severely disrupted.

The Malaysia's Gross Domestic Product (GDP) expanded 3.1% in 2021, signaling that the country is on a recovery path after about two years of the Covid-19 crisis. The rebound in GDP growth was supported by easing of containment measures and strong external demand conditions. The revenue of the Group for 2021 has improved slightly, however our export markets were still affected by the weak global market as governments over the world instituted various lockdown and/or containment measures in their efforts to curb the spread of the coronavirus pandemic.

The Board of Directors focuses on the adoption of strategic planning and implementation of control management navigate through the business uncertainty. I believe, with the leadership of the Board of Directors, the sound Corporate Governance practices inculcated in the Group, we can ensure the Group operates effectively and reliably, and in the best interest of our stakeholders. Together with the team work from our management team, we will be above to ride out difficult period and strive to achieve our Corporate Mission and Vision, and to support its long-term value creation.

### ENHANCING OUR SUSTAINABILITY AND GOVERNANCE PRACTICE

In recent years, we have seen the stellar ascent of ESG or environmental, social and governance factors in the investment realm, and an acceleration in the demand for such action on sustainability issues. This call to action has come from various stakeholder groups, including our investors, our regulators and some of our shareholders. The Group is proud to report that we have always prioritised sustainability as an essential part of who we are and our strategy of maintaining consistent growth of our business.

### FINANCIAL PERFORMANCE

The Group's revenue for the financial year ended 31 December 2021 improved marginally to RM344.1 million from RM336.7 million recorded in the preceding financial year. The lower than expected Group's revenue was prevalent in all geographical segments which the Group operates, due to the continuity of softening property market conditions domestically in Malaysia and Australia as well as the aftermath effects of the pandemic on economy arising from various degrees of lockdown and containment measures imposed.

The Group recorded a loss before tax of RM33.7 million for the financial year under review as compared to a loss before tax of RM0.8 million suffered in the previous financial year. The results of the previous financial year included the recognition of compensation received of RM31.4 million. The Group continued to review the weak financial performance and under-utilisation of production capacity of its manufacturing subsidiaries in Malaysia, and accordingly provided a total impairment charge of RM8.6 million (2020: RM6.0 million) on its property, plant and equipment, and right-of-use assets. In addition, a further write-down on inventories of RM1.9 million (2020: RM5.2 million) was made for the current financial year.

Further details on the financial results are discussed in the Management and Decision Analysis section.



## CHAIRMAN'S STATEMENT (CONT'D)

### DIVIDEND

The Board had earlier declared an interim dividend of 2 sen per ordinary share (tax exempt) in respect of the financial year ended 31 December 2021, which was paid on 10 November 2021. The dividend payout demonstrated the Group commitment in rewarding a fair and equitable return of investment to its shareholders.

### OUTLOOK

The economic recovery in 2021 will provide the necessary impetus for Malaysia's GDP to recover to pre-pandemic levels. Business prospects are expected to improve alongside improving business conditions. In addition, growth will be driven primarily by an expansionary budget; normalisation in economic and social activities premised on high vaccination rates; resumption of projects with high multiplier effects; and strong external demand, especially from major trading partners.

Malaysia entered the "Transition to Endemic" phase of Covid-19 on April 1, with all restrictions on business operating hours removed and prayer activities allowed without physical distancing. The continued easing of movement restrictions, as well as more vibrant economic and social activities which are in line with strong domestic and external demand, are expected to support further economic expansion. The Group expects its business operations to gradually recover in line with the projected economic growth in 2022. However, the Group remains cautious of the potential challenges arising from the persisting Covid-19 pandemic and will continue to improve its resilience through cost optimisation and operational efficiency.

Barring any unforeseen circumstances, the Group look forward to an improved revenue in the ensuing year ending 31 December 2022.

### APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, and all our valued stakeholders such as customers, suppliers, business partners and relevant authorities for their loyalty, perseverance, continuous support and trust towards the Group.

I would also like to acknowledge and express our gratitude for the dedicated and unwavering commitments of our management team and staff of the Group who have put in significant amount of efforts this past year in managing the pandemic while at the same time still turning out a creditable performance despite the negative impacts of the pandemic on economic activities.

Together with the management and staff, we will continue to give our full commitment and strive for better performance in this challenging economic environment.

Finally, I would like to express my personal appreciation to my fellow directors for their invaluable insights, guidance and contributions this past year.

**CHUA SENG HUAT**  
Executive Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors and management of Kim Hin Industry Berhad ("Kim Hin" or "the Company") are pleased to present the Management Discussion & Analysis ("MD&A") containing management commentary to provide investors and shareholders with a better understanding of the Group's business and operation for the financial year ended 31 December 2021.

The MD&A should be read together with the Group's audited financial statements for the financial year ended 31 December 2021.

### OVERVIEW OF BUSINESS AND OPERATIONS

#### Profile

Kim Hin is an investment holding company, which is engaged in the provision of management services whilst its subsidiaries are involved in production and distribution of ceramic floor, homogeneous and monoproso tiles, trading in building materials, property and investment holding. The Company was founded in 1973 and is headquartered in Kuching, Malaysia. It has been listed on the Main Board of Bursa Malaysia Securities Berhad since year 1992.

The Group operates principally in the ceramic tiles industry and is organized into four operating segments according to geographical location, namely Malaysia, People's Republic of China, Australia and Vietnam. As one of the leading ceramic tiles manufacturers in Malaysia, Kim Hin designs, manufactures and markets tiles under the brands Kimgres, Durogres, Vitrogres, Johnson and Amber.

Kim Hin has three (3) manufacturing plants, of which, two (2) are located in Malaysia (Kuching, Sarawak and Senawang, Seremban) and the third located in Shanghai, People's Republic of China. The marketing network of Kim Hin Group comprises sales offices situated in major cities of Malaysia (Kuala Lumpur, Kuching, Kota Kinabalu, Petaling Jaya, Johor Bharu, Ipoh and Penang), Australia (Melbourne, Sydney, Brisbane, Perth and Hobart), People Republic of China (Shanghai) and Vietnam (Danang). In 2016, the Group strengthened its foothold and presence in Australia market by acquiring Outset Holdings Pty Ltd ("Outset Holdings"). Outset Holdings is the holding company of Amber Group Australia Pty Ltd ("Amber"), which operates a network of retail stores under the Amber brand. The Amber Store Network comprises of thirty-one (31) stores located in New South Wales, the Australian Capital Territory and Queensland, Australia. Presently, Kim Hin Group employs approximately 1,525 employees worldwide.

The Group exports its production to overseas, mainly Australia, Middle East, Taiwan and North American markets.

#### Vision

Our vision is to be a world class ceramic tiles producer and distributor by providing products and services of superior quality and value and by sustaining consistent long term growth in volume and profitability. In line with our vision to provide our customers with products and services of superior quality and value, the Group's manufacturing plants in Kuching and Seremban are both certified with the latest version of ISO 9001:2015 released by the International Organisation for Standardisation ("ISO"), in July 2016 and March 2017 respectively. Both plants have been re-certified in June 2019 and April 2020 respectively. In addition, our manufacturing operations in Shanghai, People Republic of China is under governance of compulsory product certification issued by China Quality Certification Centre.

The Group's Malaysian operations has a fully integrated Enterprise Resource Planning (ERP) system covering Sales and Distribution, Inventory Management, Production Planning and Financial and Controlling modules using SAP software. The Group is currently using an upgraded version ECC 6.0 to facilitate its business processes and operation efficiency for its Malaysian segment.

Kim Hin invested significantly over the past years in hardware and software assets to boost its IT infrastructure capabilities in line with our mission to progress through continuous advancement in technology.

The Group values its people and acknowledges the success and growth of the Group over the past decades are the result of the commitment, hard work and capability of our people. As such, Kim Hin is committed to the welfare and well-being of its employees. The children of our employees who excelled in government examinations were given incentive awards and the sports club assists in the balance of work and lifestyle. At the same time, the Group continues to focus on the competency development of our employees with training hours being one of the Group's key performance indicators. We promote and instill a culture of discipline, integrity, teamwork and proactivity among our people.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Highlights of Kim Hin Group's Financial and Share Performance for the Past 5 Financial Years

	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
<b>Financial</b>					
Revenue	420,278	402,726	378,588	336,662	344,088
Profit/(loss) before interest and tax	19,696	(53,851)	(27,242)	1,117	(31,714)
Finance costs	1,437	1,265	2,520	1,903	1,995
Net profit/(loss) after tax	9,551	(61,547)	(31,446)	(9,248)	(36,418)
Shareholders' equity	510,672	441,148	406,849	392,565	355,939
Total assets	650,375	564,500	553,646	554,016	526,153
Borrowings	24,711	22,981	22,915	21,960	23,652
Debt/Equity (%)	4.84	5.21	5.63	5.59	6.64
Earnings/(loss) per share (sen)	5.72	(44.42)	(23.14)	(10.24)	(26.35)
Net assets per share (RM)	3.64	3.15	2.90	2.80	2.54
Dividend per share (sen)	6.00	2.00	-	2.00	2.00
<b>Share</b>					
Year high (RM)	2.40	1.45	1.26	1.07	1.00
Year low (RM)	1.37	1.08	1.00	0.64	0.73
Year close (RM)	1.42	1.25	1.05	0.81	0.87
Market capitalization as at year end (RM'000)	199,139	175,299	147,251	113,594	122,008

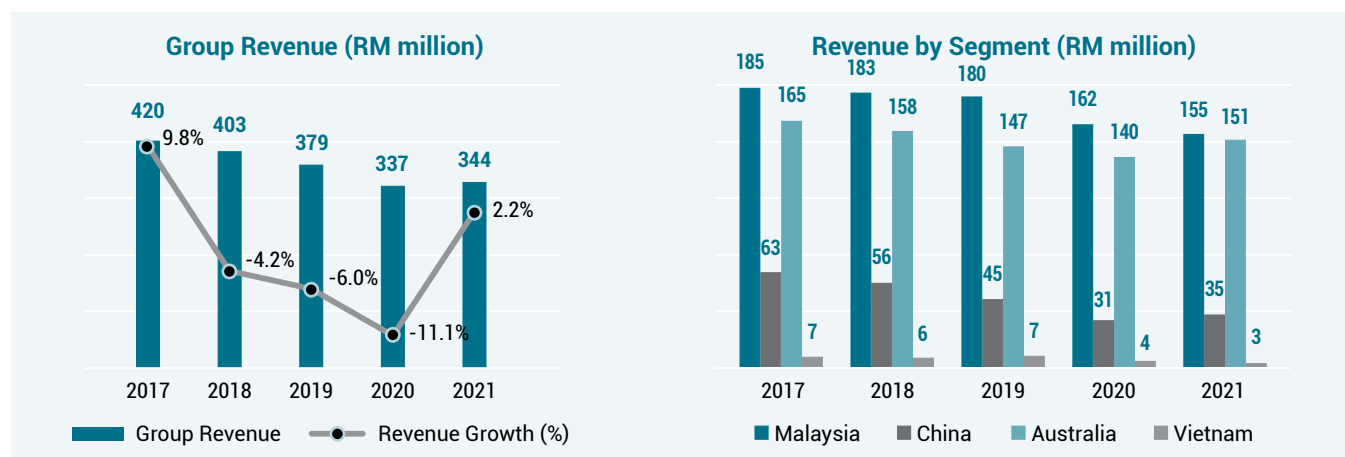
### Review of Financial Results and Financial Conditions

#### Revenue

The Group registered an improvement in revenue of RM 344 million for the current financial year compared to revenue of RM 337 million recorded in the preceding financial year. The lower than expected Group's revenue was across all geographical segments of the Group due to the adverse aftermath effects as a result of the outbreak of unprecedented Covid-19 pandemic globally.

The governments of the geographical segments in which the Group operates had imposed various degrees of lockdowns and restrictive measures, which have contributed to the prolonged soften market conditions. The revenue for the Group's Malaysia segment and Vietnam segment had contracted by 4% and 24% respectively. This is due to the reintroduction of full movement control lockdown by the Government of Malaysia on 1 June 2021 until 15 August 2021. The Government of Vietnam had also imposed lockdown measures for the month of August and September 2021.

Overall, Kim Hin's overseas operations contributed about 55% (2020: 52%) of the Group's revenue for the current financial year.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Profit Before Tax

The Group recorded a loss before tax of RM 33.7 million for the current financial year, compared to a loss of RM0.8 million in the previous financial year. This is mainly due to the recognition of compensation received of RM 31.4 million in the previous financial year for portion of its leasehold land in Shanghai which was compulsorily acquired by the local authority.

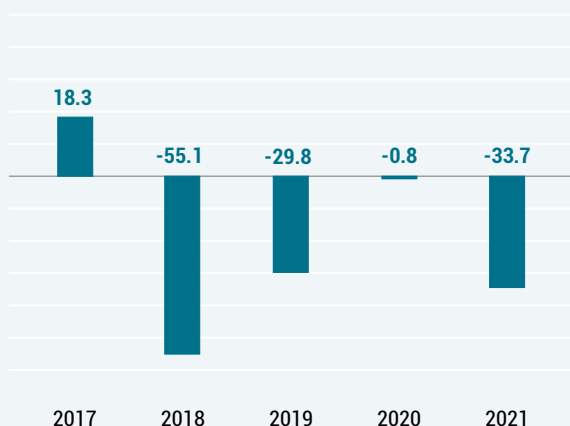
The Group continues to reassess the market conditions and its Malaysian operation performance, in light of the prolonged Covid-19 pandemic, has made a further impairment on its inventories, property, plant and equipment, and right-of-use assets amounting to RM 10.5 million in the current financial year (2020: RM 11.2 million).

Operating expenses (excluding cost of sales and impairment loss on assets) of the Group increased to RM 116.1 million during the financial year as compared to RM 110.3 million in the previous financial year. The increase was mainly due to higher selling and distribution expenses and employee benefits expenses.

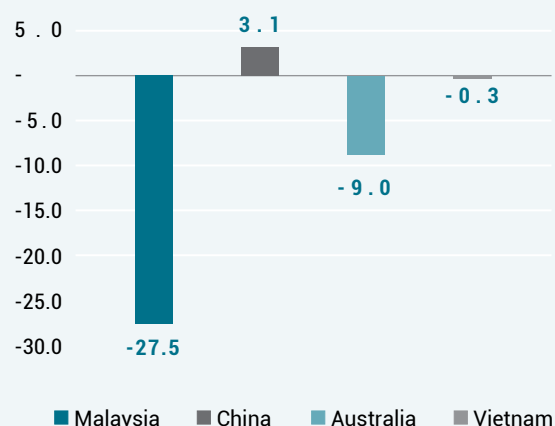
Total finance costs, including interest on lease liabilities recognized in accordance with MFRS 16 Leases, increased marginally from RM 1.9 million to RM 2.0 million.

The Group's income tax expense for the current financial year was RM 2.7 million as compared to RM 8.5 million recognised for the previous financial year, due to the inclusion of corporate income tax provided on the compensation received. The higher effective tax rate of the Group for the current financial year were due to unavailability of Group loss relief as well as non-deductible expenses.

Group PBT (RM million)



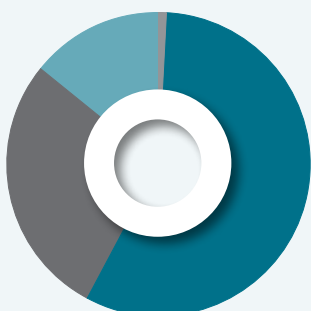
2021 Segmental Contributions



### Distribution of Segmental Assets and Liabilities of the Group as at 31 December 2021

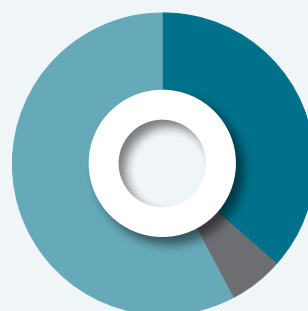
Segmental Assets (RM million)

Malaysia	—	57%
China	—	14%
Australia	—	28%
Vietnam	—	1%



Segmental Liabilities (RM million)

Malaysia	—	36.4%
China	—	5.8%
Australia	—	57.7%
Vietnam	—	0.1%





## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Assets

#### Investment properties

The net carrying amount of its investment property has decreased to RM 30.3 million (31 December 2020: RM 36.3 million) as at end of the current financial year, mainly due to the disposal of a parcel of freehold land and an impairment loss on the condominium situated in Melbourne, Australia.

#### Right-of-use assets

	2021 RM'000	2020 RM'000
Leasehold land	38,807	39,550
Other receivables	38,610	22,112
	<u>77,417</u>	<u>61,662</u>

The right-of-use assets include the Group's short term and long term leasehold land of RM 38.8 million (31 December 2020: RM 39.6 million). The rest were tenancy agreements for buildings, machinery, motor vehicles and other equipment treated as right-of-use assets of the Group following the adoption of MFRS 16 Leases, amounting to RM 38.6 million (31 December 2020: RM 22.1 million).

#### Trade and Other Receivables

	2021 RM'000	2020 RM'000
Trade receivables	56,722	68,991
Other receivables	3,427	3,334
	<u>60,149</u>	<u>72,325</u>

Although the Group's revenue has improved marginally by 2.2%, the total collectible trade receivables as at the current financial year has reduced by 17.8% as compared to the previous financial year end following efforts made to improve working capital management. Consequently, the turnover of the Group's trade receivables has increased to 60 days from 75 days recorded in the previous financial year.

The Group's expected credit losses on trade receivable (net) provided during the current financial year was RM 994,000 (2020: RM 197,000). Despite the higher provisioning of credit losses, the Group's credit exposure is well manageable as evidenced by the significantly shortened turnover period of trade receivables.

#### Inventories

	2021 RM'000	2020 RM'000
Finished goods	95,718	89,784
Raw materials, and work-in-progress	20,810	25,001
Packing materials, spare parts and stores	12,696	13,549
	<u>129,224</u>	<u>128,334</u>

The total finished goods stood at RM 95.7 million at the end of the current financial year under review. The Group provided a net write down of RM 1.9 million (2020: net write down of RM 5.2 million) on its inventories during the financial year under review.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Liabilities

#### Trade and other payables

	2021 RM'000	2020 RM'000
Trade payables	48,432	52,474
Other payables	30,174	26,539
	<u>78,606</u>	<u>79,013</u>

The Group's trade payables decreased by 7.7% to RM 48.4 million from RM 52.5 million in the previous financial year.

#### Lease liabilities

	2021 RM'000	2020 RM'000
Current	9,888	9,013
Non-current	33,014	15,490
	<u>42,902</u>	<u>24,503</u>

These represent the present value of lease payments to be made over the lease term of 3 to 5 years by the Group. They are mainly lease contracts for property rented for the Group's operation.

#### Loans and borrowings

	2021 RM'000	2020 RM'000
Bank overdraft	368	-
Trade facilities (unsecured)	5,037	4,491
RM loans (secured)	18,247	17,469
	<u>23,652</u>	<u>21,960</u>

The term loans are secured by way of fixed charge over landed properties of a Malaysian subsidiary of the Group.

#### Capital structure and capital resources

During the financial year, the Group's borrowings stood at RM 24 million (2020: RM 22 million) as at the end of the current financial year. The gearing ratio (total borrowings over total equity) of the Group remains at the ranges between 0.05 times to 0.07 times, consistent with the past five years. The Group's continual significantly low gearing ratio is the testimony of its intention to maintain a sound financial position that enables the execution of its strategic objectives in creating value for the coming years.

#### Impacts of global Covid-19 pandemic and business outlook

The challenges posed by the unprecedented Covid-19 pandemic continued into year 2022, since its initial outbreak in the beginning of year 2020. The evolvement of new variants and the aftermath effects of global efforts in containing the pandemic, have impacted companies' earnings by disrupting supply chains, workforce sustainability, and demand due to various stages of containment measures imposed and shut down of international borders. Unquestionably a decline in demand is likely to have the most significant impact on most businesses. Together with the general loss of consumer confidence following the emergence of the virus, in some countries potential customers cannot buy tiles, due to the closure of all non-essential retail businesses.

Current gradual reopening of economic and social sectors, opening up of borders, adoption of easing, relaxing and targeted containment measures by more countries have aided in economic growth and recovery globally. Business prospects are expected to improve alongside improving business conditions.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The business communities expect the economy recovery to take place this year, premised on the high percentage of vaccinated adult populations and extensive roll-out of vaccinations programs. Even though the GDP growth rebounded in the latter part of year 2021 supported by the easing of Covid-19 containment measures and strong external demand conditions, risks remain. These factors include risks related to the emergence of variants of concern (for instance, the recent lockdowns in major cities of People Republic of China due to resurgence of Covid-19 cases and its zero-tolerance policy), uncertainty around both the duration and severity of government actions in the different countries in which the Group operates global financial market volatility and supply chain disruptions, and unfolding developments surrounding the Ukraine crisis, which led to higher energy cost.

Looking ahead and given the above risks, it is not possible at this point to provide meaningful earning guidance for the financial year ending 31 December 2022.

The Board, however, is clear that the situation does not present an existential threat to Kim Hin. Whilst short term trading will be affected, the long-term outlook for the Group remains positive.

The Executive Directors and certain senior management have been in the industry for more than 30 years and the value of their experience is enormous. Since its inception, the highly experienced and motivated management team had successfully navigating the Group through several economic downturns and financial recessions.

The Group operates in four geographical segments and its manufacturing operations are located in Malaysia and People Republic of China, hence the impact of Covid-19 pandemic on the Group's revenue and operations (and the subsequent recovery) actually varies. This was evidenced where the Group's Shanghai manufacturing activities were not affected throughout year 2021, while the manufacturing plants of the Group located in Malaysia were affected by the reintroduction of full nation-wide lockdown on 1 June 2021 and lasted until 15 August 2021 and subsequently the lower percentage of workforce level allowed under the four-phases National Recovery Plan implemented by the Government. The trading activities of the Group's Vietnam operation was also affected when Vietnam implemented full movement restrictive measures for two months (August and September 2021) to address the resurgence of positive cases and new variants.

The Group has promptly taken actions to protect its cash position, improve working capital management and to preserve the cashflow of the business. Cost-cutting measures include deferring and control of all discretionary operating expenditure such as restricting travels and spending only on essentials, re-prioritizing of business activities and investments. During the financial year under review, the Group has also received financial assistances in the form of wage subsidies in countries where it operates, namely in Malaysia and Australia.

Kim Hin is in a strong financial position and has a low level of debts (low gearing ratio around 7% of its equity) to support its business. As at the end of the financial year ended 31 December 2021, the Group has total cash reserves and other investments (easily convertible to cash) of RM 85 million.

In ensuring it has sufficient short-term liquidity, the Group has utilizing trade facilities offered by its bankers to ease immediate or short-term cash requirement and enhanced its working capital management as evidenced by shortened collection period from trade receivables.

The Group has also not neglected the welfare of its employees, whilst preserving employment the Group has made changes to its standard operating procedure to observe the new normalcy of works which includes social distancing, continuous cleaning and disinfection, provision of personal protection equipment, using existing and newly available networking tools such as Microsoft Teams, Zoom for meetings among staff, with customers and suppliers, and etcetera.

The Group encounters challenging and difficult time amid the persistence of weak property market both domestically in Malaysia and globally, as evidenced by the negative growth in revenue recorded during the financial year under review for its geographical operations in Malaysia and Vietnam.

Kim Hin's efforts in strengthening and achieving revenue growth for its overseas operations continues. The combined revenue of its overseas operations has surpassed the Group's Malaysia segment revenue for the fifth year in a row. The Group is concentrating its efforts and focus on securing export sales, to address demand as well as to improve productivity and utilisation of production capacities for the manufacturing plants in Malaysia.

The Board is confident that Kim Hin is well placed to face and withstand present situation induced by the prolonged global Covid-19 pandemic and, the Group will remain focused in executing its business plan and mission despite the current challenging business environment.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Dividend policy

The Board has recommended an interim dividend of 2 sen per ordinary share (tax exempt) for the financial year under review, despite the constraints and weak external demand environment faced by the Group. The interim dividend was paid on 10 November 2021 and this demonstrated the Group's commitment in rewarding a fair and equitable return of investment to its shareholders.

### Anticipated Business Risks

The Group is exposed to external risks such as adverse economic and market conditions and internal risks related to the Group's operations and financial management.

It has to be recognised that the Group has limitations in the actions that can be taken to manage or mitigate external economic risks. However, the Group has put in place a risk management framework to identify, manage and mitigate internal operational risks. Operational procedures are in place and are constantly being reviewed to ensure operational and cost efficiency.

The main risks affecting the Kim Hin Group are as follows:-

#### **Competition Risk**

The ceramic tile industry is highly competitive. Intense industry competition and aggressive pricing strategies amongst the manufacturers, distributors and dealers is common in the industry. This is further aggravated by the influx of tiles produced by manufacturers in countries such as Thailand, Indonesia, Vietnam and China.

Tiles are installed primarily on floors, walls, countertops and other areas requiring a highly aesthetic yet durable surface. Flooring applications make up the largest share of tile demand. The flooring industry comprises five (5) major product groups namely carpet, vinyl, decorative tiles, laminated and hardwood flooring. There is further product segmentation for decorative tiles into ceramic, porcelain and glass types, as well as tiles made from such specialty materials such as natural stone, concrete and metal.

The pricing pressures due to competition and the evolution in style preference as well as the cost and availability of competitive materials will affect consumer demand for the Group's products. To remain competitive, the Group will reinforce its positioning as one of the market leaders in the ceramic tile manufacturing and sale of ceramic and porcelain tiles. This will be supported by the Group's continued efforts in promoting and organising well-established training programs for its management and employees, improving customers' satisfaction and application of new technology for product improvements.

The Group expanded its operation in its traditional stronghold market, Australia by venturing into retails activities through its wholly owned subsidiary in Australia, Outset Holdings. Outset Holdings operates a renowned retail chain that further enhances the Group's distribution channels in Australia. The contributions from the Group's overseas operations act as the shield for the Group in facing the continual soften market conditions of its Malaysia operation and reducing its reliance on the Malaysia operations.

#### **Foreign Exchange Risks**

The Group imports certain raw materials, printing materials and machinery from abroad and also exports products to overseas markets, thus exposing itself to foreign exchange risks, mainly from the fluctuation of the United States Dollar ("USD"), Australian Dollar ("AUD") and Euro against the Malaysian Ringgit ("RM"). The fluctuation in the USD/RM affects both the operation costs and exports, while the fluctuation of AUD/RM affects only exports and the fluctuation of EURO/RM influences mainly operation costs. In addition, the Group has minimal exposure to Sterling Pound ("GBP"), Singaporean Dollar ("SGD") and Brunei Dollar ("BND").



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### ***Rising operating costs***

Disruption in the supply chain of raw materials and volatility in raw materials prices coupled with the weaker Malaysian Ringgit will result in higher operational and operating costs. The "uptick" in energy price caused by the recent Ukraine-Russia war at the beginning of this year, continuous gradual hike in liquefied natural gas due to the Malaysian Government's subsidy rationalization and the price of liquefied petroleum gas which is consumed by the Group's Kuching plant will affect future operational costs.

### ***Others***

Amongst other factors or concerns that may have an impact or effect on the Group's performance are:

Financial risks and cash flow risks but these are considered low due to the minimal borrowings of the Group (5% of the shareholders' equity) and is mitigated by substantial cash reserves and the flexibility of the Group in obtaining credit facilities from financial institutions thus ensuring the availability of working capital.

Interest rate risk is minimised as borrowings bear floating interest rates and Malaysia is maintaining a low interest rate regime by keeping its key overnight policy rate at 1.75% since the beginning of year 2020. As the headline inflation in the coming year is projected to average higher, primarily due to higher global oil price, it is expected the overnight policy rate will most likely rise gradually.

Credit risk where the Group adopts stringent procedures on approving credit terms to customers and closely monitoring the collection of the Group's receivables, as evidenced by the ageing analysis of its trade receivables and manageable allowance provided for expected credit losses during the financial year under review.

The Group's ability to attract and retain talent pool while managing labour costs, levy expenses and other issues impacting labour supply.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Kim Hin Industry Berhad ("Kim Hin" or "the Company") is committed to high standards of integrity, accountability and ethics in the conduct of its business and in all aspects of the Kim Hin Group's ("the Group") operations and undertakings. The Board recognised the important of the practices of corporate governance throughout the group while performing their duties and responsibilities as fiduciaries in the interest of the Company. Good corporate governance is imperative to ensure sustainable long-term performance, creating long-term economic value and growth for the Group as well as maximize returns for stakeholders.

The Board strive on the implementation of the practices set out in the the Malaysian Code on Corporate Governance as at 28 April 2021 ("**MCCG 2021**") as a high standard of corporate governance within the group, as this is a crucial process and structure for the Board to direct and manage the businesses and affairs of the Company towards promoting its objectives and business prosperities.

Kim Hin is pleased to present the Corporate Governance Overview Statement pursuant to the requirements of Paragraph 15.25 (1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad, in accordance with the guidance of Practice Note 9 of the **MMLR** and the Corporate Governance Guide (4th Edition) issued by Bursa Malaysia Securities Berhad. The Corporate Governance Overview Statement is presented based on the following three key principles of good corporate governance:

- 1) Board leadership and effectiveness;
- 2) Effective audit and risk management; and
- 3) Integrity in corporate reporting and meaningful relationship with stakeholders.

The detailed application of each Practice as set out in the **MCCG 2021** is disclosed in the Corporate Governance Report which is available at the Company's Corporate website, [www.kimhin.com.my](http://www.kimhin.com.my).

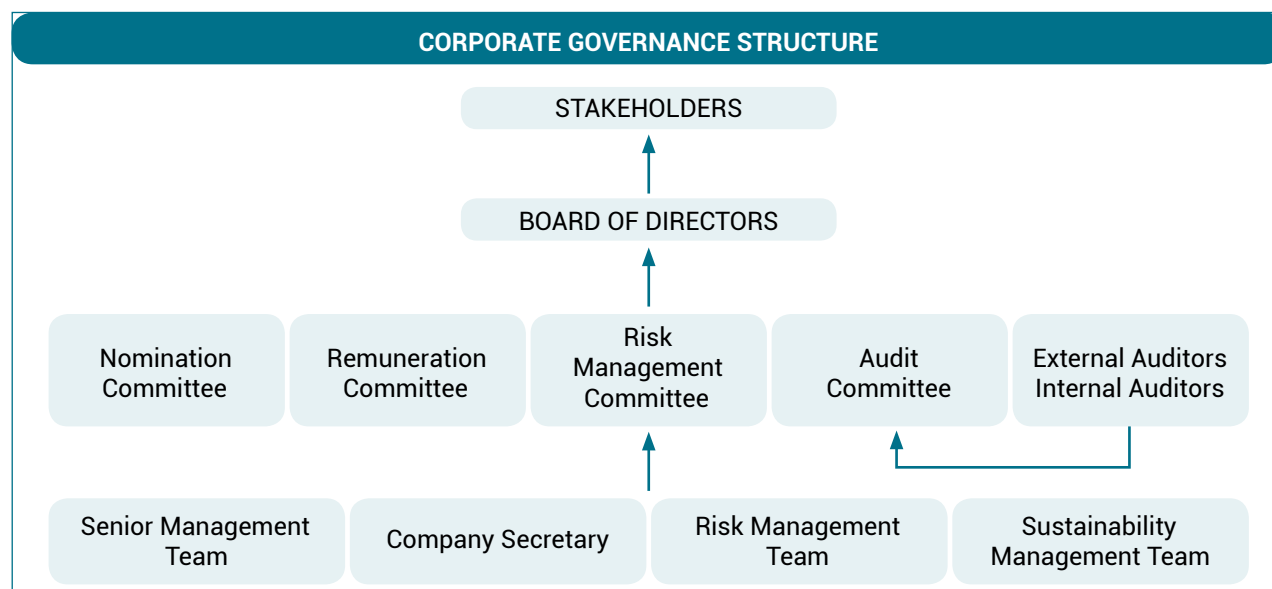
### 1) BOARD'S LEADERSHIP AND EFFECTIVENESS

#### The Board of Directors

The Board as the Group leader is responsible for developing and overseeing the Group's strategic plans and businesses directions and performance, instilling good corporate governance culture within the group, formulation of policies and overseeing the investments, operations of the group of companies to ensure the Company is embraced with the ethical behavior, accountability, transparency and sustainability in achieving its goals.

The Board implements effective controls over the Group business operations, resources, standard of conduct and financial position. The Board is committed to its fiduciary duties and leadership function to achieve long-term success of the Company and to deliver sustainable value to its stakeholders.

The Board collaborated with the senior management in setting up a proper organization structure and authority chart to ensure effective discharge of management responsibilities and capabilities of each functional department and to provide effective flow of corporate governance information and communication within the Group.





## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Kim Hin Corporate Governance Structure is formed upon the following statutory provisions, best practices and guidelines:

- 1) Companies Act 2016;
- 2) Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and
- 3) The Malaysian Code on Corporate Governance 2021.

The key responsibilities and leaderships of the Board of Directors are as follows:

- 1) Establishing strategic plans, objective, mission for the long term success of the organization;
- 2) Exercising the directors' core duties of fiduciary duty and duty to use reasonable care, skill & diligence;
- 3) Review, challenge and approve management's proposal on a strategic plan for the Group by bringing objectivity and breadth of judgment to the strategic planning process;
- 4) The Board is responsible to optimize the business development, performance and growth of the Company and its subsidiaries;
- 5) Setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company;
- 6) Monitoring the implementation of strategic plans by management and the strategies plans on economic, environmental, safety & health, social and governance considerations underpinning sustainability of the Company;
- 7) Overseeing the performance of the Group's business, identifying principal risks of the business and conducting and ensuring a sound framework for internal controls and risk management;
- 8) Ensure that the 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;
- 9) Ensure the integrity of the Company's financial and non-financial reporting;
- 10) Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior; and
- 11) To foster a healthy corporate governance culture which is founded on the principles of transparency, objectivity and integrity set the "tone from the top" by formalising and committing to ethical values.

### The Chairman

The Executive Chairman of the Group, Mr. Chua Seng Huat, provides leadership to the Board so that the Board can perform its responsibilities effectively. The Executive Chairman consistently monitors and overviews the Group's sales and production, financial position and the overall Group's domestic and overseas businesses performance so as to achieve business goals in order to generate shareholder value. Mr. Chua emphasizes on instilling good corporate governance practices within the management team of the Group and ensuring board members received complete and accurate information in a timely manner. He works closely with the Board of Directors in developing the Company's objectives, strategies, aims and business directions for the successful management of the Group.

### Chairman and Group Managing Director

Dato' John Chua Seng Chai is the Group Managing Director of Kim Hin. There is always 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 Group Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

The role of the Group Managing Director includes the following:

- To plan, organize and control the operations of the group of companies;
- To review and analyse results of operations in relation to budgets and objectives and ensure proper steps are taken to correct unsatisfactory conditions;
- To be ultimately responsible for the effective implementation of the Company's quality management system by chairing the management review meeting, providing support to implement quality improvements, reviewing and approving the issuance of Quality Manual; and
- To act on behalf of the Executive chairman in his absence.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Qualified and competent Company Secretary

The Company Secretary of Kim Hin is Mdm. Yeo Puay Huang. She holds a Company Secretary Licence together with SSM Practising Certificate and is qualified to act as a Company Secretary under Section 235 of the Companies Act 2016. She has more than 44 years of professional experience in corporate secretarial practices.

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.

The Company Secretary also ensures that there is good information flow within the Board, Board Committees and senior management.

She also serves as a focal point for stakeholders' communication and engagement on corporate governance issues.

### Meeting materials and minutes

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.

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.

### Board Charter

The Board Charter of the Company is a source of references and literature which guide the governance and conduct of the Board. Board Charter provides strategic directions of business operations to the Board. The Board shall effectively conduct the delegation of authority among the directors and senior management in accordance with the role and responsibilities and the Code of conduct and ethics for directors stated in the Board Charter. Board Charter defined the Company's policies and government regulations which the Board shall comply with while performing their duties, such as the implementation of government regulations pertaining to the Economic, Social and Environmental considerations.

The Board Charter also provides insights to the Board when discharging their fiduciary duties and leadership functions and to assist the Board in the assessment of the performance of the individual Directors and Board Committees.

Board Charter and the term of references of the committees shall be periodically reviewed and updated by the Board taking into consideration the needs of the Group as well as any development in rules and regulations that may have an impact on the discharge of the Board's duties and responsibility.

The Board Charter is available at the Company's Corporate website, [www.kimhin.com.my](http://www.kimhin.com.my)

### Code of Conduct and Ethics

The Code of Conduct and Ethics outlines the principles, policies and government rules and regulations that govern the activities of the Group, such as Section 17A of the MACC Act 2009 (Amendment 2018). Our employees are subject to a set of values and standards of conduct that is expected of them.

The Code of Conduct and Ethics shall shape the corporate culture and drive 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.

The Board reviews and updates the Code of Conduct and Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.

The Code of Conduct and Ethics is available at the Company's corporate website, [www.kimhin.com.my](http://www.kimhin.com.my).



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Anti-Bribery and Anti-Corruption

The Company and its subsidiaries adopt zero tolerance policy against all form of bribery and corruption. Information pertaining to the implementation of Section 17A of the MACC Act 2009 (Amendment 2018) was disseminated from the top management to the employees by distributing The Anti-Bribery and Anti-Corruption Handbook ("ABAC Handbook") to the employees. The ABAC Handbook was developed to serve as a useful practical tool to ensure compliance with the applicable anti-bribery and anti-corruption laws. The Board of Directors and the Senior Management expressing a strong, explicit and visible support and commitment to the corporate compliance programme. Trainings and staff briefings were also conducted to ensure the flow of the information pertaining to Section 17A MACC Act.

### Whistle Blowing policy

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.

The Whistle Blowing Policy serves as the internal reporting framework for employees or other stakeholders to raise concerns about illegal or unethical conduct that they are aware of through their work, without fear of reprisals or retaliations. The Whistle Blowing Policy is available at the Company's corporate website, [www.kimhin.com.my](http://www.kimhin.com.my).

### Board Composition

The Board comprises of eight (8) members, three (3) of which are Independent Non-Executive Directors. They are the Executive Chairman, Group Managing Director, Group Executive Director, Administrative Director, Finance Director and three (3) Independent Non-Executive Directors.

The Company must ensure that at least 2 directors or 1/3 of the board of directors of the Company, whichever is the higher, are independent directors. In the event of any vacancy in the board of directors, resulting in non-compliance with the aforesaid, the Company must fill the vacancy within 3 months.

The Independent Non-Executive Directors focus on board matters and not stray into 'executive direction', thus providing an independent view to the Board and they are appointed to the board to bring:

- Independence
- Impartiality
- Wide experience
- Special knowledge
- Personal qualities

The Independent Non-Executive Directors provide a creative and informed contribution to the strategic direction of the Company, the management operations and performance.

The appointment of Mr. Fong Tshu Kwong as the Senior Independent Non-Executive Director provides an additional channel for the Independent Non-Executive Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board. Mr. Fong is the Committee Chairman for Audit Committee, Nomination Committee, and Remuneration Committee.

### Tenure of Independent Non-Executive Director

Annual shareholders' approval was obtained through a two tier voting process for Mr. Fong Tshu Kwong, who has served as an Independent Non-Executive since 21 May 2001.

In addition, Mr. Ong Ah Ba, who was appointed as an Independent Non-Executive Director of the Company on 8 December 2009, has also served for a cumulative term of more than 12 years.

The Board strongly believes that a director's independence cannot be determined arbitrarily with reference to a set period of time. Kim Hin benefits from its long serving directors, such as Mr. Fong Tshu Kwong and Mr. Ong Ah Ba, with detailed knowledge of the business and with proven commitment, experiences and competence to effectively advise the Board.

For the upcoming Annual General Meeting, the Company shall seek shareholders' approval through two-tier voting for the proposed retention of Mr. Fong and Mr. Ong as an Independent Non-Executive Director of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Independent Non-Executive Director's Tenure Policy

The Company does not have a policy which limits the tenure of its independent non-executive directors to 9 years. The shareholders' approval was obtained at the annual general meeting through a two tier voting process each year for the re-appointment of Mr. Fong Tshu Kwong and Mr. Ong Ah Ba, who have served on the Board for more than 12 years.

### Board and senior management

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.

### Gender diversity

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.

### Board's new candidate

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 executive search firms.

### Nomination Committee

The Nomination Committee is responsible for recommending the right candidate with the necessary skills, experience and competencies as new Board members as well as members of Board Committees. The Nomination Committee comprises two members, who are all Independent Non-Executive Directors.

The members of the Nomination Committee are as follows:

- 1) Mr. Fong Tshu Kwong (Chairman); and
- 2) Mr. Ong Ah Ba (Member).

Each year, the Nomination Committee assesses the effectiveness of the Board and Board Committees, contributions and performance of each individual director, as well as the Group Managing Director and the Chief Financial Officer in accordance with paragraph 2.20A of the MMLR.

The objective of the assessment is to improve the Board's effectiveness, identify gaps, maximize strengths and address weaknesses of the Board. Self-assessment on the performance of the directors is used, and issues put forth for assessment are presented in a customized questionnaire. The Board oversees the overall evaluation process and responses are analysed by the Nomination Committee, being tabled and communicated to the Board.

The criteria on which assessment of the Board's effectiveness is carried out is developed, maintained and reviewed by the Nomination Committee. They include, inter alia, Board's and Board Committees' composition, Board's roles and responsibilities, and Board's operations.

The Chairman of the Nomination Committee is the Senior Independent Non-Executive Director.

Given that the Senior Independent Non-Executive 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.

The Terms of Reference of the Nomination Committee is set out in the Board Charter and is available at the Company's corporate website [www.kimhin.com.my](http://www.kimhin.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Overall Board effectiveness

#### Objective annual evaluation

A detailed self-assessment is undertaken every year to review the effectiveness of the Board, Committees and individual Directors. The questionnaires are reviewed by the Nomination Committee and approved by the Board. This annual assessment provides the opportunity for the Directors to examine the effectiveness in discharging their roles and responsibilities, identify areas for improvement and to assess the overall effectiveness of the Board and Committees.

The Board meets on a quarterly basis and additional meetings are convened as and when necessary. The Board met for a total of five (5) times during the financial year ended 31 December 2021 and their attendance details are as follows:

Directors	Attendance	Percentage of attendance
Chua Seng Huat	5/5	100%
Chua Seng Guan	5/5	100%
Dato' John Chua Seng Chai	4/5	80%
Pauline Getrude Chua Hui Lin	5/5	100%
Chua Yew Lin	5/5	100%
Fong Tshu Kwong	5/5	100%
Ong Ah Ba	5/5	100%
Yong Lin Lin	5/5	100%

The Board is satisfied with the time commitment given by the Directors to the affairs of the Company. Director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

#### Directors' training

The Board is mindful of the importance for its members to undergo continuous training through its Nomination Committee, and continues to evaluate and determine the training needs of its members. This is to ensure continuing education is made available to the directors in order for them to be equipped with the necessary skills and knowledge to meet the challenges of the Board. Any director appointed to the Board is required to complete the Mandatory Accreditation Programme within four months from the date of appointment.

During the financial year ended 31 December 2021, the Directors attended the training entitled as "Board Governance Management 2021".



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Remuneration of Directors and Senior Management

#### Remuneration Policy

The objective of the Company's remuneration policy on directors' remuneration is to attract, retain and motivate the directors with the relevant experience and expertise to manage the Group successfully. Their remuneration reflects the level of experience and expertise they bring with them and the level of responsibility undertaken by them.

The Compensation Policy for the Board was approved by the Board on 25 February 2016, with the latest revision made on 26 February 2020.

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.

#### Remuneration Committee

The Board has established the Remuneration Committee, comprises of the Independent Non-Executive Directors.

The members of the Remuneration Committee are as follows:

- 1) Mr. Fong Tshu Kwong (Chairman); and
- 2) Mr. Ong Ah Ba (Member).

The Remuneration Committee's responsibilities include the establishment of compensation strategy, compensation policies and programs, and management development plans.

#### Details of Directors' remuneration

The remuneration of the Directors of the Company (on a group basis) for 2021 is as follows:-

	Fees <sup>^</sup> RM'000	Salaries RM'000	Bonus RM'000	Allowance RM'000	Benefits- in-kind RM'00	Other emoluments* RM'000	Total RM'000
<b>Executive Director</b>							
Chua Seng Huat	33	1,175	510	26	76	297	2,117
Dato' John Chua Seng Chai	33	1,154	510	26	88	299	2,110
Chua Seng Guan	33	1,175	510	26	12	298	2,054
Pauline Getrude Chua Hui Lin	33	384	96	-	18	98	629
Chua Yew Lin	33	384	96	-	18	98	629
<b>Independent Director</b>							
Fong Tshu Kwong	40	-	-	-	-	-	40
Ong Ah Ba	33	-	-	-	-	-	33
Yong Lin Lin	33	-	-	-	-	-	33
<b>TOTAL</b>	<b>271</b>	<b>4,272</b>	<b>1,722</b>	<b>78</b>	<b>212</b>	<b>1,090</b>	<b>7,645</b>

#### Note

<sup>^</sup> Directors' fee shall be approved by shareholders at the forthcoming Annual General Meeting.

\* Other emoluments consist of employers' contributions made to Employee Provident Fund and Social Security Fund.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Remuneration of the top five Senior Management

The ranges of remuneration for the top five senior management of the Group are as follows:

Range of remuneration (RM)	Top Five Senior Management
RM200,001 to RM250,000	1
RM250,001 to RM300,000	2
RM300,001 to RM350,000	1
Rm350,001 to RM400,000	1
Total	5

## 2) EFFECTIVE AUDIT AND RISK MANAGEMENT

### Effective and independent Audit Committee

#### Chairman of the Audit Committee

The Board has established an Audit Committee which is chaired by the Senior Independent Non-Executive Director, Mr. Fong Tshu Kwong.

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.

- **Policy on appointment of former key audit partner**

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.

- **Policies and procedures on external auditor**

The Board has established Policies and Procedures in assessing the suitability, objectivity and independence of the external auditor.

- **Membership of Audit Committee**

The members of the Audit Committee of the Company are all Independent Non-Executive Directors they are the Audit Committee Chairman Mr. Fong Tshu Kwong and the two Audit Committee Members, Mr. Ong Ah Ba and Mr. Yong Lin Lin.

- **Skills of Audit Committee members**

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.

### Risk Management and Internal Control Framework

- **Effective Risk Management and Internal Control Framework**

The Board acknowledges its overall responsibility and the importance of sound risk management and internal control, and for reviewing the adequacy and integrity of the 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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Risk Management and Internal Control Framework

- **Effective governance, risk management and internal control framework**

The Audit Committee is responsible for reviewing the adequacy of the internal audit scopes, competency and resources of the internal audit function and ensures that it has the necessary authority to carry out its work.

The Board affirms that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

### 3) INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Communication with Stakeholders

- **Continuous communication between the Company and stakeholders**

The Board endeavours to ensure that communication with stakeholders is conducted in a timely and effective manner.

The Company utilises the Annual Reports, announcements to Bursa Malaysia Securities Berhad, Annual General Meetings, and the Group Corporate website to disseminate information to stakeholders.

Through the Company's Corporate website at [www.kimhin.com.my](http://www.kimhin.com.my), 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.

#### Conduct of Annual General Meeting

- **Shareholder participation at general meetings**

The Board recognises the importance of being accountable to and communicating with its investors, and the need for shareholders to be informed of all material business matters affecting the Company.

The Company's Annual General Meeting presents opportunities for the Board to meet individual shareholders, and provide a forum to discuss and debate key issues. All shareholders are encouraged to attend the Annual General Meetings and participate in the proceedings. The shareholders were given the opportunity to raise questions and seek clarification from the members of the Board, Management and the Auditors of the Company about the resolutions being proposed and the Group's performance and activities.

Pursuant to Paragraph 8.29A of the **MLR**, all resolutions set out in the notice of general meetings shall be voted by poll and an independent scrutineer shall be appointed for validation of the votes casted.

### CORPORATE GOVERNANCE KEY FOCUS AREAS AND FUTURE PRIORITIES

#### Key focus areas

The key focus areas of the governance practices of the Group for 2022 are ensuring the strategic plans and the risk management and internal control of the Group to support its long-term value creation which includes strategies on corporate governance, economic, environmental and social considerations underpinning sustainability, and succession planning for the Directors and the Senior Management.



## AUDIT COMMITTEE REPORT

The Board of Directors of Kim Hin Industry Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2021.

### COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee during the financial year under review comprised of the following Directors:

Fong Tshu Kwong (*Chairman*)  
(*Senior Independent Non-Executive Director*)

Ong Ah Ba (*Member*)  
(*Independent Non-Executive Director*)

Yong Lin Lin (*Member*)  
(*Independent Non-Executive Director*)

The Audit Committee met five (5) times during the year as follows:

- 1) 12 March 2021
- 2) 23 April 2021
- 3) 25 May 2021
- 4) 15 September 2021
- 5) 26 November 2021

Details of attendance at the Audit Committee Meetings are as follows:

Name of Audit Committee member	Attendance	Percentage of attendance
Fong Tshu Kwong	5/5	100%
Ong Ah Ba	5/5	100%
Yong Lin Lin	5/5	100%

The Audit Committee also met independently with the External Auditors on 26 November 2021 and 6 April 2022 respectively without the presence of Executive Directors, the management and Internal Auditors.

The meetings of the Audit Committee were attended by all committee members and invitees. The invitees include the internal auditors, external auditors and the Chief Financial Officer. The Company Secretary acted as secretary at the meetings to record minutes of the proceedings of the meeting.

### TERMS OF REFERENCE

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its Terms of Reference.

### MEMBERSHIP

The Audit Committee shall comprise of at least three non-executive directors, the majority of whom are independent directors. At least one member shall be a professional or qualified accountant. Any vacancy resulting in the non-compliance of the above, shall be filled within three months.

## AUDIT COMMITTEE REPORT (CONT'D)

### SUMMARY OF WORK

During the financial year ended 31 December 2021, the Audit Committee's work carried out in accordance with its terms of reference.

### FINANCIAL REPORTING

- Reviewed the quarterly and year-to-date unaudited financial results of the Company and the Group, before recommending them for approval by the Board of Directors.
- Reviewed the annual audited financial statements of the Company and the Group with the External Auditors prior to submission to the Board of Directors for approval.

The review was to ensure that the financial reporting and disclosures are in compliance with:

- the provisions of the Companies Act 2016;
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- applicable financial reporting standards in Malaysia; and
- other relevant legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with the management and the External Auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements.

### INTERNAL AUDIT

The Internal Audit Plan was drawn up in accordance with high risk areas identified as a result of the risk assessment carried out.

The audit scope of the Internal Auditors during the financial year covered the following processes:

#### Scope of review

Operational reviews of the Group and major subsidiaries in Malaysia:

- Recurrent Related Party Transactions (RRPT)
- Sales Performance Review and Analysis
- Inventory Management
- Production Process
- Compliance with Standards Operating Procedure in ensuring safe work in the environment of Covid-19 pandemic for its Malaysian operations.

The overall review of the internal control system for the above areas covered, reveals that controls and policies are generally adequate and functioning satisfactorily. On-going reviews are being carried out continuously to ensure the effectiveness of the system. Although the Group's internal control system has been evaluated as satisfactory, it can only provide reasonable but not absolute assurance in the event of material error or loss.

The Audit Committee reviewed the following:

- the adequacy of the scope, competency and resources of the internal audit function to carry out its work.
- the internal audit plan and internal audit reports for the Group on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- the adequacy and monitor of the status of implementation of action plans agreed by the management on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

## AUDIT COMMITTEE REPORT (CONT'D)

### EXTERNAL AUDIT

- a. Reviewed with the External Auditors:
  - their Audit Plan and scope of work for the year 2021;
  - the results of the annual audit and their audit report and evaluate their findings and recommendations for actions to be taken.
- b. The Audit Committee had two (2) independent meetings with the External Auditors on 26 November 2021 and 6 April 2022 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 including adequacy of the financial information provided, and the proficiency and adequacy of resources in financial reporting functions.
- c. On 24 February 2022 the Audit Committee undertook an annual evaluation of the quality of audit which encompassed the following areas:
  - (i) The caliber of external audit firm;
  - (ii) The quality of processes/performance;
  - (iii) The audit team;
  - (iv) The independence and objectivity;
  - (v) The audit scope and planning;
  - (vi) Audit Fee; and
  - (vii) Audit Communications.

The Audit Committee received written confirmation from the External Auditors regarding their independence to the Group.

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 were given a set of questionnaire to assess the quality of services provided, the independence and professional scepticism demonstrated by the External Auditors' team and the firm.

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.

The Board at its meeting held on 24 February 2022 approved the Audit Committee's recommendation to re-appoint Ernst & Young PLT as the External Auditors of the Group for the financial year ending 31 December 2022, subject to the shareholders' approval to be sought at the forthcoming annual general meeting.

### RELATED PARTY TRANSACTIONS

- Reviewed the updates on the recurrent related party transactions entered into by the Group.
- Reviewed the Circular to Shareholders relating to Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature prior to recommending it for the Boards' approval.



# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

## BACKGROUND

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board of Directors of Kim Hin Industry Berhad ("Board") is pleased to provide the following statement which outlines the main features and scope of the Group's risk management and internal control system during the financial year ended 31 December 2021.

This Statement is prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa Securities").

## RESPONSIBILITY OF THE BOARD

The Board acknowledges the importance of maintaining a sound risk management and internal control system and affirms its overall responsibility for reviewing the adequacy and integrity of those systems. The system of risk management and internal control is designed to manage the Group's risks within an acceptable level, 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.

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 risk management practices and internal controls when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the MMLR 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").

## RISK ASSESSMENT

The Board affirms that an important element for a sound system of internal control is to have in place a risk management and control system to identify and assess the significant risks to the existing business processes of the Group and implement appropriate controls to manage such risks. The Risk Management Committee ("RMC") was established in 2001 to achieve the following objectives:

- (a) To be at the forefront of the Group Wide Risk Programme and ensure that a risk management structure is embedded in day-to-day operations throughout the Group;
- (b) To ensure that the risk management structure is consistently adopted throughout the Group and is within the parameters established by the Board; and
- (c) To ensure compliance with external requirements such as the SRMICG.

## CONTROL ENVIRONMENT AND ACTIVITIES

The Corporate Risk Scorecard system helped management to methodically identify and assess any emerging new risks, update the business risks profiles that were previously identified, and follow up with the implementation of the control plans.

The Group reassessed and updated its Enterprise Risk Management ("ERM") regularly with the engagement of external consultants to facilitate the process. The Group's Malaysia operations is currently in the midst of organising Enterprise Risk Assessment sessions to review, identify and assess existing and new key risks which would impact the Group's businesses and its ability to meet the Group's business objectives. In addition, the relevance of risk assessment criteria used in defining the level of significance as well as impact of risks affecting the business were also reviewed.

Revenue, Inventory, Trade Receivables, Production and Foreign Exchange were identified as major risks and 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.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

(PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

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:

- A formalised Board Charter, Code of Conducts for Directors, Whistle Blowing Policy and Corporate Disclosure Policy;
- Establishment of Employee's Handbook and Code of Conduct and Ethics;
- Establishment of Anti-Bribery and Anti-Corruption Policy and Handbook;
- Well structured organisation chart with defined lines of responsibilities and duties as specified in the job terms of reference;
- Existence of Standard Operating Procedures under the governance of ISO 9001: 2015 Quality Management System for the Group's manufacturing operations in Malaysia (Kuching and Seremban), which adds further assurance to the Group's risk management for its operations as the latest version of ISO 9001 adopts a risk based approach;
- 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);
- Scheduled meeting of Management Review Meetings and Management Meetings; and
- 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.

In addition, the Group's Seremban manufacturing facility is certified to use Eco-Label Marks on its products.

### INTERNAL AUDIT ("IA")

The Group has an IA function which is outsourced to independent internal auditors. The Group's IA function reviews the effectiveness of the system of internal control in managing the key risks and reports accordingly to the Audit Committee.

In carrying out their work, the Group's Internal Auditors focus on areas of priority as determined by risk assessment and in accordance with the annual operational internal audit plan approved by the Audit Committee. Where any significant weaknesses are identified as a result of the reviews, improvement measures are recommended to strengthen controls and business processes, with follow-up audits by Internal Auditors to assess the status of implementation thereof by management.

Continuing from previous year, the internal audit activities were restricted in view of the resurgence of Covid-19 positive cases and the travel restriction enforced over various stages of movement control orders implemented during the financial year under review. The Group's Internal Auditors have performed audits (either remote or on-site where possible) covering the various business processes of the Group, which includes review of the Group's recurrent related party transactions, sales performance review and analysis, inventory management, production process, and the compliance with Standard Operating Procedure in ensuring safe work in the environment of Covid-19 pandemic for its Malaysian operations.

The Audit Committee reviews the IA Reports from the Group's IA function and reports to the Board on key audit findings, recommendations of action plans and implementation status of corrective actions.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2021 was in the region of RM25,000.

### BOARD REVIEW

The Board has taken continuous steps to assess and enhance the effectiveness of the system of risk management and internal control, and is not aware of any significant weaknesses or deficiencies in the risk management and internal control system of the Group.

In addition, written assurance were received from Group Managing Director and Chief Financial Officer by the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Hence, the Board is pleased to report that there were no significant material internal control weaknesses noted during the year under review and up to the date of approval of the annual report and financial statements.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

(PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

### REVIEW BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

This statement is issued in accordance with the Board's approval on 6 April 2022.



## SUSTAINABILITY STATEMENT

Kim Hin Group of Companies ("Kim Hin") recognise that doing business in a sustainable and responsible manner is integral to ensuring our future viability. Sustainability considerations underpin our business strategies and are integrated into the way we do business.

The Board of Directors ("the Board") is committed to strengthen Kim Hin's corporate governance culture and focus on the Company's performance along the dimensions of the three foundations of good Corporate Sustainability Practices incorporating Environmental, Social and Governance (ESG) considerations. Our sustainability goal is to create sustained value for all stakeholders including our community, customers, employees and shareholders, through the long-term management of sustainability risks and opportunities, and through our unwavering adherence to good corporate governance.

The Group has adopted policies and procedures related to its corporate governance to ensure clear lines of accountability between shareholders and management. These include safeguards to avoid conflict of interests such as the presence of independent boards as well as audit or remuneration committee, and enhanced with a robust internal controls and anti-corruption policies.

We recognise the benefits of integrating Sustainability-related considerations into all aspects of the Group's domestic and global businesses. These benefits include enhancing risk management, promoting ceramic tiles design innovation, attracting new customers, maintenance of a license to operate, responding to responsible and secured capital, improving the Company's productivity, optimised costs, enhanced brand value and reputation.

The sustainability challenge for the Group is to ensure that our value creation activities remain uninterrupted regardless of changes in the operating environment.

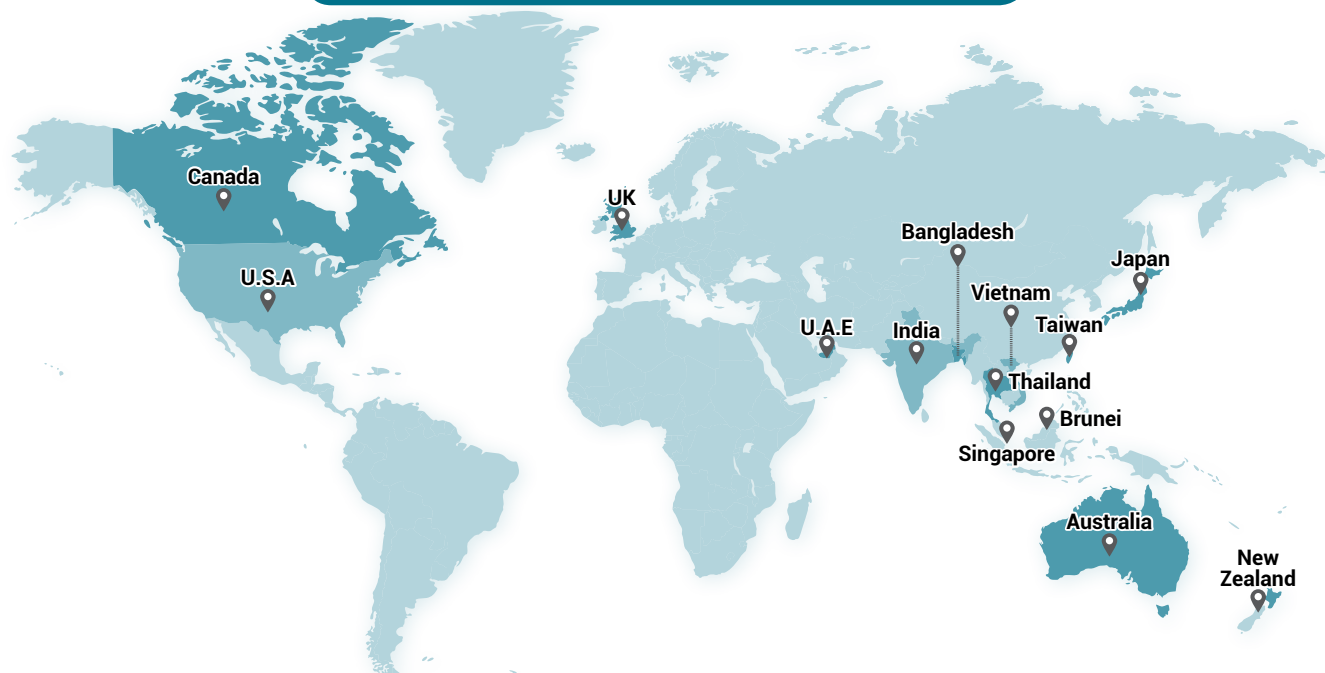
The outbreak of the Covid-19 pandemic has severely affected the global economy and financial markets, and has also seriously impacted Malaysia's economy. After almost two year of struggling with disease mitigation measures, many of the manufacturing and supply chain organisations are still experiencing the negative consequences of the pandemic. The weaker exchange rates had also caused logistics challenge, rising energy costs and raw material price increases resulting in the increase of our production cost.

At the start of the year, there was promising developments and hope that the rollout of vaccines and new pandemic management procedures would help to contain the Covid-19 pandemic, and return us to normality. This hope has not been realised as the vaccines will not completely prevent a person from being infected with Covid-19. Nevertheless, the vaccines have been effective in reducing significantly the severity of illness or death, and has allowed the Malaysian Government to follow through with the phased reopening of the economy. The reopening of the economy has allowed workers to return to their work place, albeit with observation of required standard operating procedures.

Most of the governments globally have now viewed the Covid-19 as an endemic disease, and are learning to live with the disease. This means better management of the worst symptoms of the disease, preventing fatalities and containing the spread of the disease.

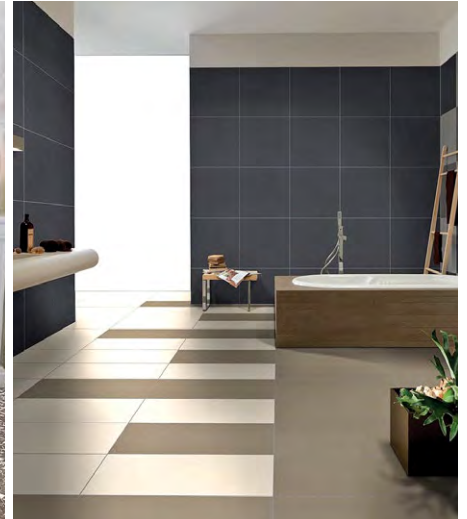
Kim Hin strives to focus on the Group's short-term and long-term strategies for the domestic and overseas businesses. The Board commits to approach the problems caused by the pandemic with optimism and aims to attain our Corporate Vision which is: "to be a world class ceramic tiles producer and distributor by providing products and services of superior quality and values, and by sustaining consistent long-term growth in volume and profitability." Going forward, Kim Hin's management will continue to take all necessary actions and precautions to ensure operational continuity and safeguarding the health and safety of our stakeholders. This will ensure that we continue to maintain efficient operational processes as well as excellent service levels.

### THE EXPORT MARKETS OF KIM HIN INDUSTRY BERHAD



## SUSTAINABILITY STATEMENT (CONT'D)

### Our products





## SUSTAINABILITY STATEMENT (CONT'D)

### SUSTAINABILITY GOVERNANCE

Kim Hin recognises Sustainability Governance as key factors for the company to create long-term stakeholder value through the implementation of business strategy that focuses on the ethical, environmental, social and economic dimensions of doing business. The Board is committed to instill corporate governance to the management, as corporate governance helps to build an environmental trust, transparency and accountability necessary for stimulating long-term investment, financial stability and business integrity.



Throughout the Covid-19 pandemic, we focused on the conduct of risk assessment management in order to deliver strong and consistent performances, that will continue to create value for our stakeholders especially our employees, investors and shareholders as well as the country's economy. To ensure sustainable economic performance, we adopt good corporate governance and business ethics in our business dealings, including procurement practices in our value chain, while delivering top quality products and services to our customers. We emphasised on the safety and health of the workforce of the company.

We are adopting operational control procedures with good documentation requirements to provide assurance that a trail of accountability exists and also for continuous improvement. We continuously focus on improving the efficiency and productivity of our workforce across our production and marketing functions to meet our customers' satisfaction and in maintaining good connections and relationships with our suppliers locally and globally.

We endeavor to improve the Group's financial performance by optimising the capital expenditure and production capacity utilisation, reducing operational costs and implementing stronger operating margin towards the business operations. We always ensure the disclosure of all relevant information to our shareholders and perform proper presentation in Annual General Meetings and we aim to enhance shareholders' values.

### STAKEHOLDERS ENGAGEMENT

We are committed to effective engagement with our stakeholders, and gather feedback from them through a variety of approaches, as applicable.

Customers	Employees	Investors	Government	Business Partners/ Suppliers	Local Community
<ul style="list-style-type: none"> <li>Customer feedback and surveys</li> <li>Customers' complaints</li> <li>Corporate website</li> <li>Notices and announcements</li> </ul>	<ul style="list-style-type: none"> <li>Departmental meeting</li> <li>Performance evaluations</li> <li>Staff Newsletter</li> <li>Training and developments</li> <li>Rewards and recognitions</li> <li>Sport club activities</li> </ul>	<ul style="list-style-type: none"> <li>Annual reports</li> <li>Corporate website</li> <li>Annual General Meeting</li> <li>Company announcements</li> </ul>	<ul style="list-style-type: none"> <li>Facility visits</li> <li>Audits and inspections</li> <li>Industry-related initiatives, dialogues and events</li> </ul>	<ul style="list-style-type: none"> <li>Written communications</li> <li>Supplier's evaluations and registrations</li> <li>Meetings and presentations</li> </ul>	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Community engagement programmes</li> <li>Donation and sponsorship</li> <li>Charity events</li> </ul>

## SUSTAINABILITY STATEMENT (CONT'D)

### Materiality

	High material		Material
1)	Ethical and Business Compliance	10)	Employee benefits
2)	Governance and Transparency	11)	Climate and energy
3)	Financial Sustainability	12)	Local Community
4)	Anti-bribery and corruption	13)	Waste management
5)	Risk Management	14)	Water efficiency
6)	Product and Services	15)	Training and Education
7)	Customers' satisfaction		
8)	Health and safety		
9)	Diversity and anti-discrimination		

Many businesses have struggled to respond quickly and practically towards the multitude of challenges posed by the pandemic. The Board worked hard on proper strategies planning, forecast, budgeting, cash flow analyses and investments management. Cash preservation strategies are instituted within the Group to enhance our cash management measures, and at the same time to ensure that the businesses are well funded and not undercapitalised in a particular area to facilitate business sustainability.

The Board is mindful that stakeholder engagement is an important factor for a Company to achieve sustainability especially during the Covid-19 pandemic situation. The engagement with stakeholders, which include investors, government agencies, regulators, customers, suppliers, employees and local communities, is an ongoing commitment to understand and interact with stakeholders by taking their views into account when making relevant business decisions.

The Board collaborated and worked closely with the management team to ensure compliance with government regulations and to response positively to operating procedures imposed by the government to contain the spread of Covid-19. Kim Hin is committed to ensure a clean, safe and healthy workplace and environment for the benefits of our employees, customers, shareholders and the public, in compliance with legal requirements and regulations, such as the Occupational Safety and Health Act, Factories and Machineries Act and other related regulations. We are making every effort to ensure that all employees and contractors must comply with the standard operating procedures at the workplace to prevent any occurrence of any occupational incidents.

In the work front, not only must we keep our employees safe, but we also keep our visitors and customers that visit our premises safe. In this respect, the leadership in our Company is in the forefront of the Covid-19 Response Team set up to ensure the safety of all our employees so that everyone has peace of mind to come to a safe workplace in particular, and to ensure the sustainability of our business as a whole.



### ENVIRONMENTAL COMMITMENT

The Board is mindful that conservation of the environment as well as reducing its carbon footprint are essential factors for Corporate Sustainability. The Board applied best practices and operating strategies to minimise environmental impact. We are committed in maintaining a clean, safe and healthy environment. Kim Hin endeavours to promote environmental initiatives across all activities.

### OUR ENVIRONMENTAL POLICY

Kim Hin believes in sustainable manufacturing practices that protect and conserve our environment for future generations. We are mindful of the adverse impact of not effectively identifying, assessing and managing environmental related risks and the global issue including climate change.

As a responsible ceramic tile manufacturer, we are well aware of the environmental impacts that our operations have on the environment; and we are committed to minimising the negative impacts and improve environmental conservation performance.



## SUSTAINABILITY STATEMENT (CONT'D)

The top management and employees are committed to:-

- complying with the legal requirements;
- conserving energy, water and other natural resources;
- optimising the use of raw materials;
- practicing reduce/reuse/recycle approach throughout our operations;
- reducing waste through better waste management;
- preventing air pollution, and reducing carbon emission;
- providing staff with environmental awareness training; and
- improving environmental performance continually.

It is our responsibility to conserve the environment especially in the vicinity of our operation area in order to make a difference in the community.

Dust collector system is used to enhance the quality of air by collecting dust and other impurities from the air. Good housekeeping culture are practiced in the office in order to promote a hygienic and healthy environment. A culture of paper and envelope recycling is also circulated in the office.

Kim Hin is committed to meet the needs of the present without compromising the needs of the future generations. We continue to focus on managing our wastes by improving our slurry treatment facilities and proactively work towards minimising environmental pollution. Well treated water is 100% recycled into the operation. The sludge is reused into our products as filler. To further demonstrate our commitment to environmental care, we shall continue to conduct Research and Development on the sludge to make user friendly and value added products.

LED lights which are energy efficient are widely used in the factory and office. Rain water is collected for recycling purposes.

We have adopted environmentally friendly practices to lessen the damage to the environment that supports communities. We ensure that our people and manufacturing practices support this objective through personal awareness and the adoption of green technology and best practices by European or Asian innovations that maximise energy efficiency improvements. The main environmental factors associated with the production of ceramic tiles are gaseous emissions, production of heat, dust and waste.

### OUR GREEN EFFORTS

#### CERTIFICATION

Our products are certified to have low chemical emissions, thus improving the quality of air in which the products are used. Our products are certified under the Gold Category of Greenguard. This gives peace of mind to homeowners, schools, public health organisations, offices etc.

We are conscious that being environmentally friendly will contribute to the preservation and protection of the environment. Our products are granted the Eco-Label as complying to SIRIM criteria 022: 2010.



#### AIR QUALITY

Air quality in our manufacturing facilities is very important in order to have a clean environment for our employees and community:

- Dust suction exhaust system are installed for dust dispersion.
- Whole production complex has cement or tarmac surfaces to minimise dust when raw materials are transferred from one area to the next.

## SUSTAINABILITY STATEMENT (CONT'D)

To ensure minimum particulate matter and gaseous emissions - the pollutants of concern from the firing process, our products are fired using either liquified natural gas (LNG) or liquified petroleum gas (LPG), both of which are clean burning fuel with very little particulate matter. On top of that, the carefully selected materials help control and reduce the fluorine compound emission associated with the firing of clayey materials.

### ENERGY SAVING

Energy saving initiatives include installation of highly efficient burners and heat recovery system in our rapid cycle roller kilns. Roofs at our manufacturing facilities are installed with translucent panels to reduce consumption of electricity during the day and to inculcate habits of utilities savings, company-wide. LED lightings which are eco-friendly and efficient energy savers are widely used throughout offices and factory buildings.

### WATER CONSERVATION

With Mother Nature granting us with abundant rain, we harvest it to be used in our manufacturing processes. 100% of the water used in the cutting process are from harvested water.

Glazing and printing operations require frequent washing which in turn generates waste water. This is directed to a waste water treatment plant and water is recycled back to the production process. This in turn reduces our consumption of treated piped water.

### RECYCLING

We reuse a certain percentage of materials in our production of tiles. Reject tiles from production are re-used through crushing. Green tiles and reject powder are collected and re-used back into the production process.

For packaging materials, we use the thinnest plastic possible to wrap our goods. We minimise usage of wooden pallets with a return policy.

Kim Hin Group strives at its utmost best to conserve energy and natural resources, to be economically viable and, to provide a safe and healthy workplace for our workers in achieving sustainable manufacturing, which include the following efforts:

- 1) optimise usage of the cleanest fuel, LPG, in our firing processes;
- 2) recycle all our rejected green and fired products;
- 3) continuous improvement to reduce wastages;
- 4) conserve natural resources by improving technical skills to produce thinner tiles with faster firing cycle;
- 5) recycle heat energy;
- 6) salvage rain water and using recycled water in some of the manufacturing process; and
- 7) strict selection of raw materials to ensure no health hazard materials are used in our manufacturing environment and no emissions of pollutants over the life cycle of our finished product.



### SOCIAL

The Group values the commitments, capabilities and hard work of the employees and is committed to the welfare and well-being of its employees, by giving incentive awards to the children of our employees who excel in national public examinations. Training is given to the employees to develop and enhance the employee's capability and competency development. Besides training, as the valued Corporate Partner of SEGi University and Colleges Group, our employees are encouraged to achieve lifelong and continuing education. In addition, our company accepts students for internship and consequently offer employment. It is our hope that with these activities, they would assist towards sustaining the workforce in particular, and the company as a whole.

The Group has its Safety and Health Policy in place where processes and procedures are established to manage occupational safety at work places and the employees' health matters to prevent hazards arising in or from the workplace that could impair the health and well-being of workers. The Occupational Safety and Health Committee is led by the Group Executive Director, who oversees the Company's responsibility in relation to occupational safety and health matters in compliance to the Industry Standards and legislation.

In accordance with the International Labour Organisation, occupational safety and health refers to the anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers.

## SUSTAINABILITY STATEMENT (CONT'D)

To fulfil this commitment, we make every effort to adhere to the relevant industry standards and comply with occupational safety and health legislation. Safety infrastructure such as fire-fighting system and equipment, first-aid boxes and Emergency Response Plan are located at various places in the operation's premises.

We are committed to a clean, safe, and healthy workplace and environment. All aspects of our business are managed in a safe and environmentally responsible manner. We believe these actions benefit our employees, customers, shareholders and the public.

### Health Surveillance

Medical surveillance is necessary for the protection of our employees who are exposed or likely to be exposed to chemicals which are hazardous to health. We carry out the medical surveillance programme annually, so as to identify the changes in health status of the relevant employees due to occupational exposure. The medical surveillance is carried out by an occupational health doctor.

### OCCUPATIONAL SAFETY AND HEALTH

The details of safety and health trainings in 2021:

Date	Types of trainings/courses	No. of participants
22-23.2.2021	Scheduled Waste Management by FMM	2
3.3.2021	FMM Industrial Waste Management Webinar 2021	2
23.4.2021	Fire Drill Exercise	35
27-28.9.2021	Safe Chemical Handling & Spillage Management	2
17.11.2021	New OSH 2020-What Employer Should Know	15
25.11.2021	2022 Budget Seminar	2
2.12.2021	Electronic Scheduled Waste Information System (eSwiss) Training	2
3.12.2021	Medical Surveillance	40
<b>Total:</b>		<b>100</b>

The details of safety and health trainings in 2020:

Date	Types of trainings/courses	No. of participants
8.1.2020	Medical Surveillance	20
14-15.2.2020	First Aid Training	30
11-13.3.2020	OSH Coordinator	2
15.7.2020	Audiometric Test	100
23.7.2020	Fire Prevention Training	15
10-11.9.2020	OSH Pandemic (Covid-19) Preparedness Prevention	3
20.12.2020	Taklimat Bomba	9
<b>Total:</b>		<b>179</b>

The details of accident incidents and lost days:

Types	2021	2020
Fatalities	0 incident	0 incident
Injuries	5 incidents	2 incidents
Lost time injuries	75 days	30 days

## SUSTAINABILITY STATEMENT (CONT'D)



*Fire Drill Exercise*



*FMM Industrial Waste Management Webinar 2021*



*Audiometric Testing*



*Medical Surveillance*

### PROTECTING OUR EMPLOYEES

The unprecedented Covid-19 pandemic which has lasted for over two years now, has greatly affected many businesses globally. At Kim Hin Group, we strive to provide a safe working environment for all employees while continuing to adapt to the new normal changes to deliver our business to our customers.

Throughout the year, Kim Hin Group have adopted a precautionary approach at our workplace. In line with the workforce restriction imposed by the national guidelines, our Company have arranged employees to work-from-home wherever possible and on a rotational basis to minimise the risk of the Covid-19 infection. Important measures such as measuring of body temperature upon entry, physical distancing, improved workplace ventilation, workplace sanitization, isolation of quarantined employees and other standard operating procedures, were adopted in compliance with the national requirements.

To mitigate the infection outbreak, our Company took the initiative to distribute free new face masks to our employees upon entrance to workplace. We also recognise that vaccination is another key step to reduce the transmission and severity of the disease. In this connection, we have collaborated with Sarawak Manufacturers Association to organize an assessable vaccination center to make the Covid-19 vaccination accessible to all our employees and their family members.

### ENVIRONMENTAL, HEALTH & SAFETY

Kim Hin Group is committed to protect the environment and upholding the occupational health and safety of everyone in the workplace, and will:

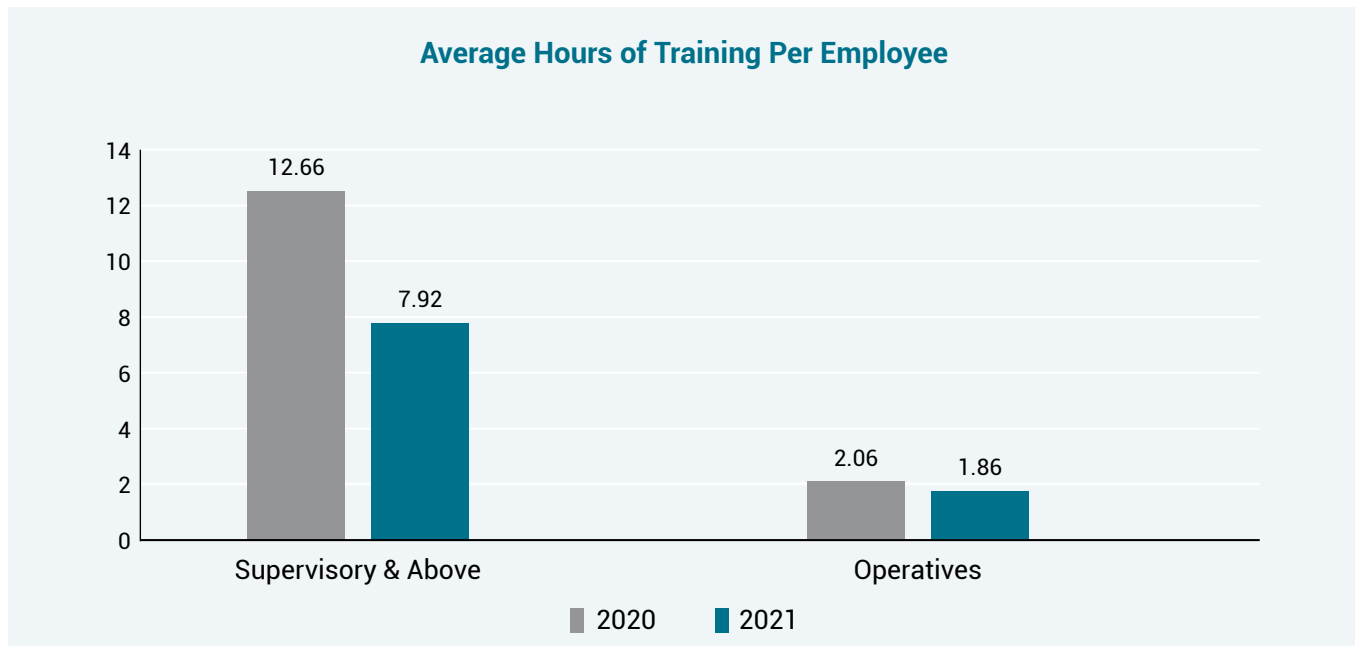
- carry out exemplary Environmental, Health and Safety practices to minimise pollution and health and safety risks;
- seek continual improvement on its environmental, health and safety performance; and
- comply with pertinent legislations and other requirements.



## SUSTAINABILITY STATEMENT (CONT'D)

### LABOUR PRACTICES AND HUMAN CAPITAL DEVELOPMENT

We are committed to encompass the fair treatment of employees in regards to the terms and conditions of employment and to develop the employees' skills and knowledge. We emphasise on employee development through on jobs training and learning via internal and external courses for the retention and maintenance of skilled labour. We believe continuous learning is the key for personal development and transformation. Keeping employees' skills and knowledge up-to-date will definitely help to increase the company's competitiveness in the industry.



**Average hours of training per employee for Supervisory and Above Category and Operatives Category**

### HUMAN RIGHTS

Kim Hin Group is committed to be a preferred choice of workplace for its employees. We have an integrated human capital strategy to recruit, develop and motivate its employees with KPIs in place to ensure that all employees' performance goals are aligned with the Group's business objectives. We uphold the spirit of human rights issues in:-

- **Fairness and Diversity**

We embrace fairness and diversity as equal employment opportunity regardless of race, gender, religion, disability, culture, nationality and family status. We believe that through fair employment practices, all employees can have a significant contribution based on their talent, expertise and experience. We treat all employees fairly with respect.

We encourage all employees with diverse backgrounds, experiences, skills, and perspectives to come together to add value to our business, and to integrate into a cohesive team. In doing so, it will help us to attract, develop, and retain the best talent for the greater good of our company.

- **Compliance with Labour Laws**

We abide all labour laws relating to employment of all employees in respect of hiring, wages, hours of work, benefits and working conditions.

- **Freedom of Association**

We are committed to maintaining harmonious labour relations and promote positive working conditions. We respect the right of employees and allow them to represent or join any trade unions for collective bargaining and to seek redress for any industrial disputes.

## SUSTAINABILITY STATEMENT (CONT'D)

### • Non-discriminatory employment practices

We are committed to equal employment opportunity and fair employment practices without discrimination against race, ethnic group, gender, religion, sexual orientation, disability, age, marital status and pregnant status. Beyond legal compliance, we strive to create an environment that is considerate and respectful towards one another.

### • Child Labour/Forced Labour

We hire applicants who seek employment on a voluntary basis. We do not practice any form of employing child labour / forced labour or labour acquired through human trafficking or indentured labour, forced prison labour or slave labour.

## DIVERSITY

The Board has formalised the Boardroom and Workforce Diversity Policy on 15 April 2015.

### Principles of the Boardroom Diversity Policy

The Group 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. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, age, race, gender and other qualities of Directorship. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

### Principles of Workforce Diversity Policy

The Group is committed to providing an inclusive workplace that embraces and promotes diversity.

- (i) The Group values, respects and leverages the unique contributions of people with diverse backgrounds, experiences and perspectives to provide exceptional service to an equally diverse community; and
- (ii) The Group recognises the benefits arising from employee and board diversity, including a broader pool of good quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

### Workforce diversity for 2021 and 2020 for Kuching Headquarters

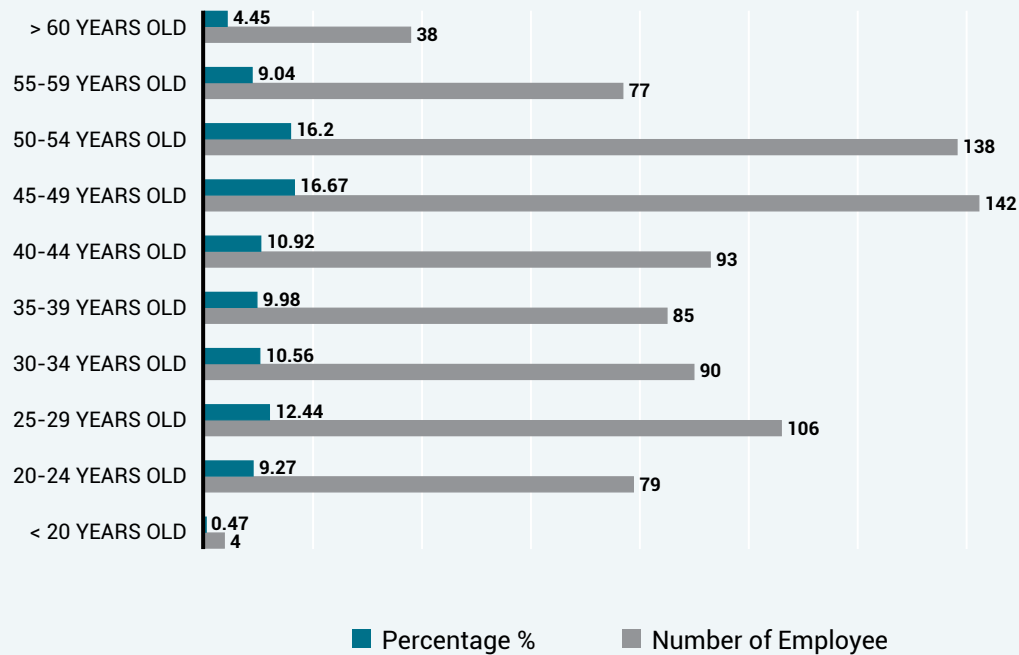
Ethnicity	Total number of employee		Management*		Non-management		Ethnicity Percentage (%)	
	2021	2020	2021	2020	2021	2020	2021	2020
Bumiputera	677	854	11	15	665	838	79.46	81.80
Chinese	174	189	62	61	113	129	20.42	18.10
Non-Malaysian	1	1	1	1	0	0	0.12	0.10
<b>Total</b>	<b>852</b>	<b>1044</b>	<b>74</b>	<b>77</b>	<b>778</b>	<b>967</b>	<b>100.00</b>	<b>100.00</b>

Gender	Total number of employee		Management*		Non-management		Gender Percentage (%)	
	2021	2020	2021	2020	2021	2020	2021	2020
Male	572	710	39	37	533	673	67.14	68.00
Female	280	334	35	40	245	294	32.86	32.00
<b>Total</b>	<b>852</b>	<b>1044</b>	<b>74</b>	<b>77</b>	<b>778</b>	<b>967</b>	<b>100.00</b>	<b>100.00</b>

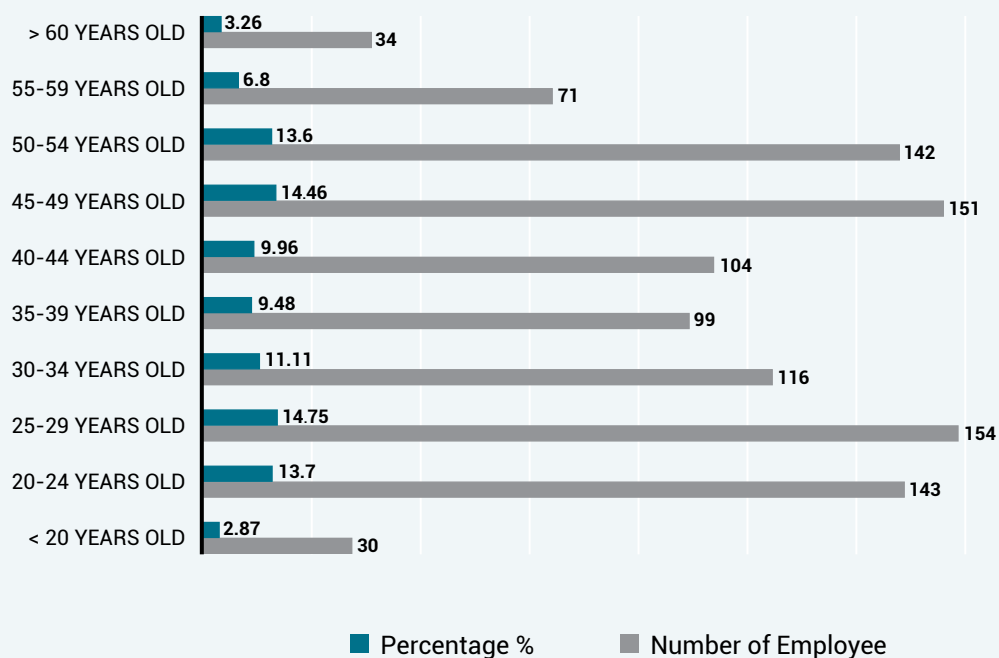
## SUSTAINABILITY STATEMENT (CONT'D)

The diagram below shows the workforce diversity for 2021 and 2020 of our Kuching Headquarters.

### WORKFORCE DIVERSITY FOR 2021



### WORKFORCE DIVERSITY FOR 2020



## SUSTAINABILITY STATEMENT (CONT'D)

### TRAINING AND DEVELOPMENT

Kim Hin Group regards its employees as its most valuable asset and as such they are encouraged to continually upgrade themselves in job-related knowledge and skills so that they may contribute more effectively towards the realization of the company's goals. However, lockdown-related restrictions have impacted how our company is delivering the training for employees. Due to physical distancing and work-from-home arrangement to slow the spread of Covid-19 infection, previously offered physical classroom style training have to be moved to online or remote training programs. This will be the new normal our employees will be adapting to, as applicable, for the current period.



Staff training



Christmas Lucky Draw



Staff dinner



The Deputy Chairman of Sarawak Blood Donor Society, Mr. Peter Lim Eng Choon, presented the Certificate of Appreciation to the Deputy President of Kim Hin Social, Welfare and Recreation Club, Mr. Stephen Ang, for Kim Hin's sponsorship to the Society Monthly Blood Donation Campaigns.



## PROFILE OF DIRECTORS

### CHUA SENG HUAT

*Executive Chairman*

Age 61 // Nationality Malaysian // Gender Male

Mr. Chua Seng Huat holds a Bachelor of Business Administration degree from the University of Hawaii, Honolulu, USA. He was first appointed to the Board of Kim Hin Industry Berhad on 2 October 1981 and was actively engaged in the operations of the Company and in the strategic business planning and was promoted to the post of Executive Chairman in 1998. He resigned as a Director in June 2001 and later was re-appointed to the Board and resumed the post of the Executive Chairman on 28 August 2006.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

Mr. Chua Seng Huat is the brother of Dato' John Chua Seng Chai, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin, who are also the Directors of the Company.

### DATO' JOHN CHUA SENG CHAI

*Group Managing Director*

Age 64 // Nationality Malaysian // Gender Male

Dato' John Chua Seng Chai holds a Bachelor of Arts (Economics) Honours degree from the University of Warwick, United Kingdom. He was appointed to the Board as the Production Director on 2 October 1981.

He attended four (4) out of the five (5) Board Meetings held during the financial year ended 31 December 2021.

Dato' John Chua Seng Chai is the brother of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin, who are also Directors of the Company.

### CHUA SENG GUAN

*Group Executive Director*

Age 64 // Nationality Malaysian // Gender Male

Mr. Chua Seng Guan graduated with a Bachelor of Arts, Honours degree in Business Law from the City of London Polytechnic, United Kingdom and was called to the Bar at Gray's Inn at the end of 1983. After he had chambered and worked at Gray's Inn and Inner Temple, he returned to Malaysia and joined the Company as the Marketing Director on 22 October 1985.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

Mr. Chua Seng Guan is the brother of Mr. Chua Seng Huat, Dato' John Chua Seng Chai, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin, who are also Directors of the Company.

## PROFILE OF DIRECTORS (CONT'D)

### PAULINE GETRUDE CHUA HUI LIN

*Executive Director*

Age 60 // Nationality Malaysian // Gender Female

Madam Pauline Getrude Chua Hui Lin has completed her secondary education in Kuching and she joined the Company in 1980, initially serving in the Accounts Department and was appointed to the Board of Directors of Kim Hin Industry Berhad in 1981 and later as an Alternate Director to Mr. Chua Seng Guan in 1985. Madam Pauline Getrude Chua Hui Lin was later re-appointed as Director of Kim Hin Industry Berhad on 1 January 1992. She is primarily in-charge of the administration and operating procedures of the Group.

She attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

Madam Pauline Getrude Chua Hui Lin is the sister of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Dato' John Chua Seng Chai and Mdm. Chua Yew Lin, who are also Directors of the Company.

### CHUA YEW LIN

*Executive Director*

Age 59 // Nationality Malaysian // Gender Female

Madam Chua Yew Lin has completed her secondary education in Kuching. She joined the Company in 1980 as Office Manager and was later promoted as a Director on 2 October 1981. She oversees the overall financial and treasury operations of the Group.

She attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

Mdm. Chua Yew Lin is the sister of Mr. Chua Seng Huat, Mr. Chua Seng Guan, Dato' John Chua Seng Chai and Mdm. Pauline Getrude Chua Hui Lin, who are also Directors of the Company.

### FONG TSHU KWONG

*Senior Independent Non-Executive Director*

Age 64 // Nationality Malaysian // Gender Male

Mr. Fong Tshu Kwong is a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Malaysian Institute of Corporate Governance.

He started his career in Ernst & Young, a leading global professional services firm, and had over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy and corporate advisory services in United Kingdom and Malaysia offices.

From April 1996 to June 2009, Mr. Fong was the Managing Director of OMG Electronic Chemicals (M) Sdn. Bhd., a wholly-owned subsidiary of OM Group Inc., USA, a NYSE listed company.

He was instrumental in setting up a new high-technology Chemical Manufacturing facility, which is a recognized global leader in the research, development and application of custom-formulated electroless nickel plating processes for the data storage, electronics and metal finishing industries.

Mr. Fong Tshu Kwong was appointed to the Board as an Independent Non-Executive Director on 21 May 2001. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

The Board has appointed Mr. Fong Tshu Kwong as the Senior Independent Director to whom concerns may be conveyed.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

## PROFILE OF DIRECTORS (CONT'D)

### ONG AH BA

*Independent Non-Executive Director*

Age 64 // Nationality Malaysian // Gender Male

Mr. Ong Ah Ba completed his Form 6 and Higher School Certificate in 1978.

He joined Khong Guan Group in early 1979 as a Management Trainee at Khong Guan Biscuit Factory (Singapore) Pte. Ltd. From 1980 to 1988, he served at Khong Guan Biscuit Factory (Borneo) Sdn. Bhd. and Sasinco Sdn. Bhd.

He was assigned to work at Borneo Biscuit Factory Sdn. Bhd. in 1988. Currently, Mr. Ong is the Executive Director of Borneo Biscuit Factory Sdn. Bhd. and its subsidiary, Sunshine Traders Sdn. Bhd. He is also a director of Chung Ying Confectionary & Food Products Sdn. Bhd, one of the biscuit factories of Khong Guan Group.

He was appointed as an Independent Non-Executive Director and a member of the Audit Committee on 8 December 2009. Additionally, he was also appointed by the Board as a member of the Nomination Committee and Remuneration Committee on 27 February 2012.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

### YONG LIN LIN

*Independent Non-Executive Director*

Age 62 // Nationality Malaysian // Gender Male

Mr. Yong Lin Lin obtained his Diploma in Electrical and Electronic Engineering, Full Technical Certificate in City & Guild, England in 1985.

He joined Weida Resources Sdn. Bhd. from 1985 to 2003. Weida Resources Sdn. Bhd. was later listed on the Bursa Malaysia Securities Berhad as Weida (M) Bhd. in 2000. He was an Executive Director of Weida (M) Bhd. until August 2003.

Mr. Yong later attached with Naim Utilities Sdn. Bhd. as an Executive Director from 2006 to 2008. In 2008, he was appointed as a director of Tenaga Suria Hybrid Sdn. Bhd. and he retired in the year 2020.

He was appointed as an Independent Non-Executive Director and a member of the Audit Committee on 21 August 2013.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2021.

Save as disclosed, none of the Directors has

- (i) any family relationship with any Director and/or major shareholder of the Company;
- (ii) any conflict of interest with the Company; and
- (iii) any conviction of offences within the past 5 years other than traffic offences.

## PARTICULARS OF KEY SENIOR MANAGEMENT

1	<b>ANG PEK LAY</b> General Manager, Kimgres Marketing Sdn Bhd Age 58 // Nationality Malaysian // Gender Female // Date of Appointment 1 October 2015	>	
	Academic / professional qualification(s):	Master in International Business	
	Present Directorship:	Listed entity: Nil Other public companies: Nil	
	Working experience:	<ul style="list-style-type: none"> <li>Worked in H&amp;R Johnson for 3 years (1989-1992)</li> <li>Joined Kimgres Marketing Sdn Bhd since 1993</li> </ul>	
2	<b>PETER CHIAM TAU MIEN</b> Chief Financial Officer, Kim Hin Industry Berhad Age 50 // Nationality Malaysian // Gender Male // Date of Appointment 1 January 2014	>	
	Academic / professional qualification(s):	<ul style="list-style-type: none"> <li>Chartered Accountant (Malaysia)</li> <li>Fellow of Association of Chartered Certified Accountants ("ACCA") (UK)</li> </ul>	
	Present Directorship:	Listed entity: Nil Other public companies: Nil	
	Working experience:	<ul style="list-style-type: none"> <li>He started his career with Ernst &amp; Young, Kuching in 1995 and has about 10 years of professional experience in accounting, assurance and advisory business services, taxation and corporate advisory services.</li> <li>Joined Kim Hin Industry Berhad as Group Finance Manager on 1 August 2005.</li> </ul>	
3	<b>CHUA BAN CHOON @ CHUA CHUI KIM</b> Director & General Manager, Kim Hin Ceramics (Shanghai) Co. Ltd. Operation Manager, Kim Hin Industry Berhad Age 68 // Nationality Malaysian // Gender Male // Date of Appointment 1995	>	
	Family relationship with any director and/or major shareholder	<ul style="list-style-type: none"> <li>He is the uncle of the Executive Directors*</li> </ul>	
	Present Directorship:	Listed entity: Nil Other public companies: Nil	
	Working experience:	<ul style="list-style-type: none"> <li>Has wide experience in the ceramic tiles industry and received his training with several large ceramic manufacturing companies in Taiwan.</li> <li>Joined Kim Hin Industry Berhad in 1974.</li> </ul>	
4	<b>WINNIE HO</b> Personal Assistant to Group Managing Director, Kim Hin Industry Berhad Age 55 // Nationality Malaysian // Gender Female // Date of Appointment 1 October 2006	>	
	Academic / professional qualification(s):	Master of Business Administration	
	Present Directorship:	Listed entity: Nil Other public companies: Nil	
	Working experience:	<ul style="list-style-type: none"> <li>Started as a legal clerk in an advocate firm in 1986. Moved on to a management consultancy firm in 1992 as a secretary.</li> <li>Joined Kim Hin Industry Berhad in April 2000.</li> </ul>	



## PARTICULARS OF KEY SENIOR MANAGEMENT (CONT'D)

5

### CAI CHUN HUI

Vice General Manager, Kim Hin Ceramics (Shanghai) Co. Ltd.

Age 53 // Nationality Chinese // Gender Female // Date of Appointment 1995



Academic / professional qualification(s):	<ul style="list-style-type: none"> <li>University graduate</li> </ul>
Family relationship with any director and/or major shareholder	<ul style="list-style-type: none"> <li>She is the cousin of the Executive Directors*</li> </ul>
Present Directorship:	Listed entity: Nil Other public companies: Nil
Working experience:	<ul style="list-style-type: none"> <li>Has 28 years of experience in the ceramic tiles industry</li> </ul>

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### CHARLINE PAN LING HWEN

Director and Chief Executive Officer, Johnson Tiles Pty Ltd

Age 32 // Nationality Malaysian // Gender Male // Date of Appointment 2016



Academic / professional qualification(s):	<ul style="list-style-type: none"> <li>Bachelor of Commerce (Accounting &amp; Finance)</li> <li>Certified Public Accountants (Australia)</li> </ul>
Family relationship with any director and/or major shareholder	<ul style="list-style-type: none"> <li>She is the daughter of Mdm. Pauline Getrude Chua Hui Lin</li> </ul>
Present Directorship:	Listed entity: Nil Other public companies: Nil
Working experience:	<ul style="list-style-type: none"> <li>Has joined Kingres Australia Pty Ltd ("KA") since 2012</li> <li>Appointed as CEO/General Manager of KA in 2013 and oversees the entire operations of KA.</li> <li>Appointed as CEO of Johnson Tiles Pty Ltd in 2016</li> </ul>

- Save for Chua Ban Choon @ Chua Chui Kim, Cai Chun Hui and Charline Pan Ling Hwen, none of the other key senior management personnels has any family relationship with any Director and/or major shareholder of Kim Hin Industry Berhad.
- None of the Key Senior Management personnel has:
  - any conflict of interest with Kim Hin Industry Berhad;
  - any conviction for offences within the past 5 years other than traffic offences; and
  - any imposition of penalty by the relevant regulatory bodies during the financial year ended 31 December 2021.

#### Note

- \* Executive Directors are Mr. Chua Seng Huat, Dato' John Chua Seng Chai, Mr. Chua Seng Guan, Mdm. Pauline Getrude Chua Hui Lin and Mdm. Chua Yew Lin.

## STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING ANNUAL AUDITED FINANCIAL STATEMENTS

In preparing the financial statements of the Group and of the Company, the Directors are collectively responsible:

- 1) for ensuring that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016, applicable Financial Reporting Standards in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.
- 2) for ensuring that the financial statements for each financial year, gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year.
- 3) for ensuring the adoption of suitable and relevant accounting policies on a consistent basis supported by judgements and estimates that are prudent and reasonable.
- 4) for ensuring the Group and the Company maintain accounting records which disclose with reasonable accuracy of the financial position of the Group and of the Company.
- 5) for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.





## ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Bursa Malaysia Securities Berhad Listing Requirements:

### AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for the financial year ended 31 December 2021 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young PLT & its affiliates		
• Statutory Audit	85	392
• Non-audit services including tax services	12	82
Fees paid/payable to other auditors		
• Statutory Audit	-	331
• Non-audit services including tax services	-	20
<b>Total</b>	<b>97</b>	<b>825</b>

### MATERIAL CONTRACTS

There was no material contract entered into by the Company and its subsidiary companies involving the directors and major shareholders' interest during the financial year.

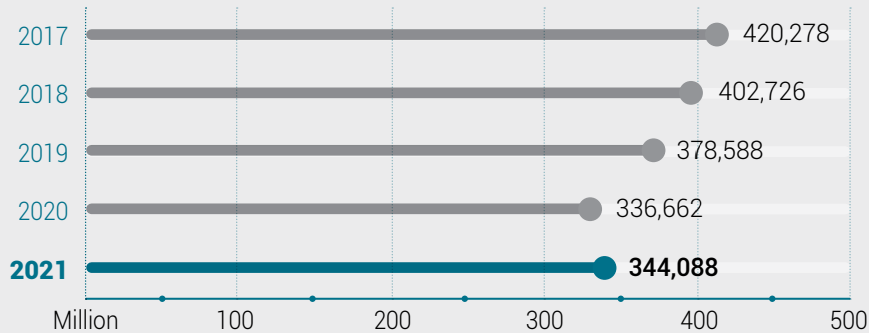
### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Please refer to Note 33 of the Audited Financial Statement on pages 126 and 127 for the breakdown of the aggregate value of Recurrent Related Party Transactions conducted during the financial year ended 31 December 2021 pursuant to the Shareholders' mandate.

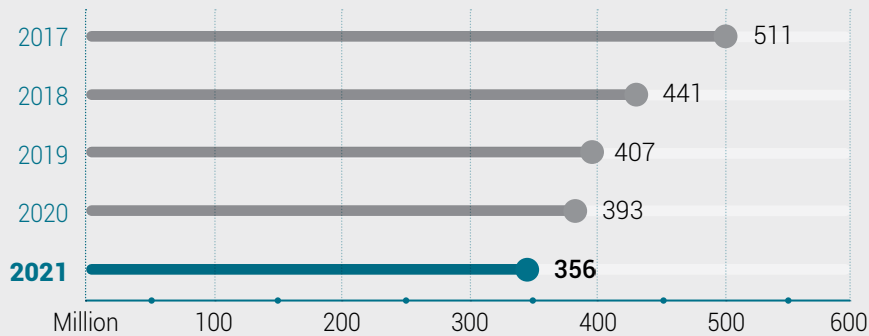


## FINANCIAL HIGHLIGHTS

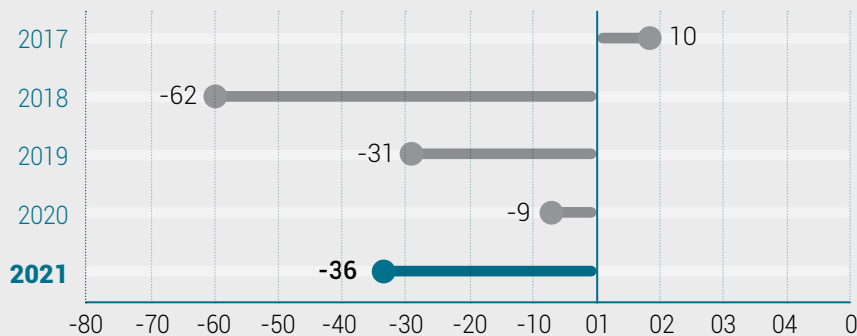
### REVENUE (RM'000)



### EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (RM Million)



### PROFIT / (LOSS) NET OF TAX (RM Million)



### EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)

