

KIM HIN INDUSTRY BERHAD

Registration No.: 197301003569 (18203-V)



2023 ANNUAL REPORT



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 Fifty-First Annual General Meeting ("51st 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 Thursday, 30 May 2024 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 2023 together with the Reports of Directors and Auditors thereon. | [Please refer to
Explanatory Note No. 1] |
| 2. | Mr. Yong Lin Lin who retires pursuant to Clause 118 of the Constitution of the Company, has expressed his intention not to seek re-appointment. Hence, he will retire at the close of the 51 st AGM of the Company. | [Please refer to
Explanatory Note No. 2] |
| 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: | |
| | (i) Dato' John Chua Seng Chai; and | (Ordinary Resolution 1) |
| | (ii) Mdm. Pauline Getrude Chua Hui Lin | (Ordinary Resolution 2) |
| 4. | To re-elect the following Directors who shall retire pursuant to Clause 117 of the Constitution of the Company and, being eligible, offer themselves for re-election: | |
| | (i) Dato Sim Kheng Boon; and | (Ordinary Resolution 3) |
| | (ii) Mr. Kho Soon Kheng | (Ordinary Resolution 4) |
| 5. | To approve the payment of Directors' fees amounting to RM267,000 for the financial year ended 31 December 2023. | (Ordinary Resolution 5) |
| 6. | To approve the payment of Directors' fees and Directors' meeting allowances up to RM330,000 for the financial year ending 31 December 2024. | (Ordinary Resolution 6) |
| 7. | 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. | (Ordinary Resolution 7) |

As Special Business

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

- | | | |
|----|---|--------------------------------|
| 8. | Authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016 and approval for the waiver of statutory pre-emptive rights of the shareholders of the Company | (Ordinary Resolution 8) |
|----|---|--------------------------------|

"**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.

AND THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 15 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of the new shares in the Company pursuant to Sections 75 and 76 of the Act."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Shareholders' Mandate") (Ordinary Resolution 9)

"**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 30 April 2024 ("Circular"), with the specific related parties mentioned therein subject further to the followings:

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 30 April 2024 with the specific related parties mentioned therein which are necessary for Kim Hin Group's day-to-day operations subject further to the following :

- (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
- (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."

10. To transact any other business which may be transacted at an AGM of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board of Directors,

Jong Oi Jen
 MAICSA 7069482
 SSM Practising Certificate No. 202008002165
 Company Secretary

Kuching, Sarawak
 Dated: 30 April 2024

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Ordinary Business:

1) Agenda 1 – Audited Financial Statements

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

2) Retirement and Re-election of Directors pursuant to Clause 117 and Clause 118

Clause 117 of the Company's Constitution provides that the Directors shall have power at any time to appoint any other person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with this Constitution. Any Director so appointed shall hold office only until the conclusion of the next annual general meeting and shall be eligible for re-election at such meeting. A Director retiring under this Clause shall not be taken into account in determining the Directors or the number of Directors to retire by rotation at such meeting.

Clause 118 of the Company's Constitution provides that an election of directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors including Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the general meeting at which he retires.

Agenda 2

Mr. Yong Lin Lin who retires pursuant to Clause 118 of the Constitution of the Company, has expressed his intention not to seek re-appointment. Hence, he will retire at the close of the 51st AGM of the Company.

Ordinary Resolutions 1 to 4:

The Board of Directors through the Nomination Committee, assessed the retiring Directors, namely Dato' John Chua Seng Chai and Mdm. Pauline Getrude Chua Hui Lin who retire pursuant to Clause 118, and Dato Sim Kheng Boon and Mr. Kho Soon Kheng, who retire pursuant to Clause 117 (collectively referred as "Retiring Directors") and recommended their re-election, based on the following justifications:

- (i) they met the criteria as prescribed under Paragraph 2.20A of the Main Market Listing Requirements of Bursa Securities on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors;
- (ii) they met the fit and proper criteria pursuant to the Company's Directors' Fit and Proper Policy; and
- (iii) those who are Independent Directors remain independent.

3) Ordinary Resolutions 5 and 6 – Directors' fees and benefits

Section 230(1) of the Companies Act 2016 provides that the fees of directors and benefits payable to the directors of a listed company shall be approved at a general meeting.

The proposed Directors' fees and Directors' meeting allowances are as below:

- | | |
|---|-----------|
| (a) Directors' fees for the year 2023 amounting to | RM267,000 |
| (b) Directors' fees for the year 2024 up to | RM300,000 |
| (c) Directors' meeting allowances for the year 2024 up to | RM 30,000 |

The details of the Directors' fees for the financial year ended 31 December 2023, are as disclosed in the Corporate Governance Report for the financial year ended 31 December 2023.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Special Business:

4) Ordinary Resolution 8 - Authority to allot shares pursuant to Section 75 and Section 76 of the Companies Act 2016 and approval for the waiver of statutory pre-emptive rights of the shareholders of the Company.

The Proposed Resolution 8, 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.
- will approve the waiver of statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the exiting issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Act.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 50th Annual General Meeting and which will lapse at the conclusion of the 51st Annual General Meeting.

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).

5) Ordinary Resolution 9- Shareholder Mandate for recurrent related party transactions

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 9, 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 30 April 2024 ("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.

Notes

1. Only Depositors whose names appear in the General Meeting Record of Depositors as at 23 May 2024 be regarded as Members and shall be entitled to attend, speak and vote at the 51st 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 Thursday, 30 May 2024.

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)

DATO SIM KHENG BOON
Independent Non-Executive Director

KHO SOON KHENG
Independent Non-Executive Director

YONG LIN LIN
(Independent Non-Executive Director)

COMPANY SECRETARY

JONG OI JEN
MAICSA 7069482
SSM PC No. 202008002165
Email : mandy.jong@kimhin.com.my

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
Email : enquiry@my.tricorglobal.com

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

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
202006000003
(LLP0022760-LCA) & AF 0039
Chartered Accountants
3rd 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

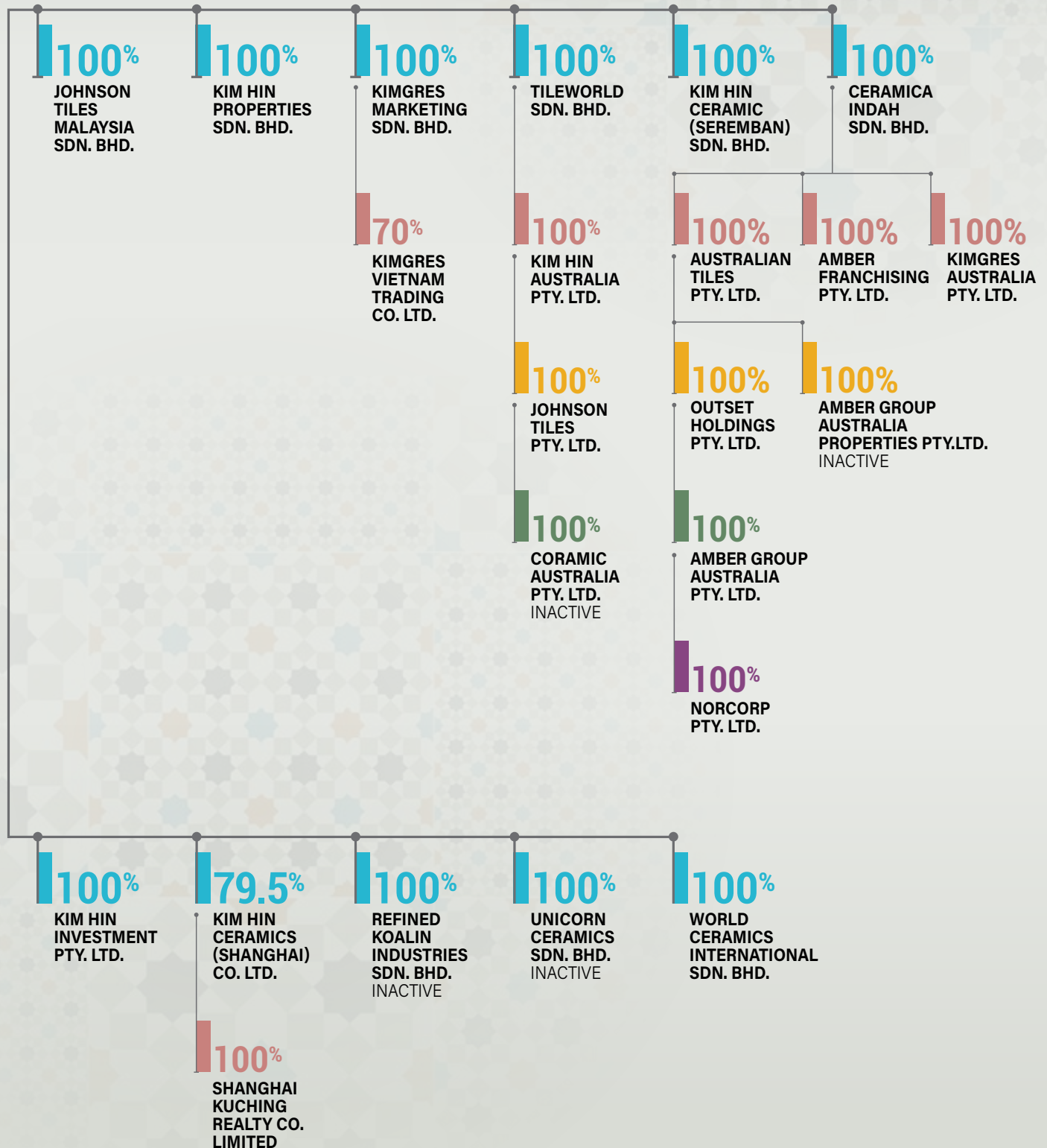
Go paperless to help our environment.
This Annual Report is available at our website
<https://www.kimhin.com.my/annual-reports>

GROUP CORPORATE STRUCTURE



KIM HIN INDUSTRY BERHAD

REGISTRATION NO.: 197301003569 (18203-V)



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board") of Kim Hin Industry Berhad, it is my utmost pleasure to present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2023.

Overall the 2023 growth for the Malaysian economy normalised to 3.7%, following a strong growth registered in the previous year (2022: 8.7%). Growth moderated amid a challenging external environment. This was due mainly to slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies. On the domestic front, the continued recovery in economic activity and labour market conditions supported growth in 2023. Importantly, the external debt remains manageable given the favourable maturity and currency profiles.

As we reflect on the accomplishments and challenges of the past year, it is evident that 2023 was a period of significant resilience and strategic adaptation for Kim Hin Industry Berhad. In the face of global uncertainties stemming from geopolitical tensions and supply chain disruptions, the Group remained steadfast in its commitment to navigating complexities while positioning itself for sustainable growth. Throughout 2023, we upheld our dedication to operational excellence, innovation, and responsible business practices, reaffirming our position as a trusted leader in the Malaysian ceramic tile industry.

FINANCIAL PERFORMANCE

The Group's revenue for the financial year ended 31 December 2023 declined by 8.8% to RM310 million from RM340 million recorded in the preceding year. The lower than expected group revenue was attributed by all geographical segments in which the Group operates amidst the soft property market conditions. In Australia, the rapid rate hike leading to a higher borrowing cost as well as the lack of available property has hampered the recovery of buyers' demands throughout 2023. China's real estate sales fell by 6.5% in 2023, thus contributing to a continuing third year slump. Most segments of the real estate market in Vietnam experienced a slow recovery due to exacerbation of market conditions arising from new challenges and persistent issues.

The Group incurred a loss before tax of RM 40.0 million for the financial year under review as compared to a loss before tax of RM 33.1 million recorded in the previous financial year. The weaker performance of the Group for the current financial year was mainly due to declining sales revenue as explained above. Under the Group rationalisation exercise to address the lackluster sales performance and under-utilisation of production capacity of its manufacturing facilities, the Group conducted a review on its product matrix for its Malaysian operations and refocused its Shanghai operations to outsourced products and has since ceased its manufacturing activity in Shanghai. As a result of the cessation of its manufacturing activity in Shanghai, the Group accrued a one-off termination payment of RM5.3 million and have fully impaired and written off the plant and machinery of its Shanghai's manufacturing plant.

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

DIVIDEND

The Board does not recommend any dividend for the financial year ended 31 December 2023, after taking into consideration the challenges ahead, which necessitates the need to preserve funds for the Group's future growth.

OUTLOOK

Reflecting on the economic landscape of 2023, Malaysia witnessed a notable resurgence in economic activity, supported by robust domestic demand and continued recovery efforts. The successful containment of the COVID-19 pandemic and the subsequent reopening of businesses contributed to improved consumer confidence and investment sentiment. However, amidst these positive developments, the Group grappled with challenges such as high logistic costs and increased operational expenses, driven by rising inflationary pressures, requiring us to adopt prudent cost management strategies to mitigate their impact.

As we transition into 2024, the Group remains cautiously optimistic about the prospects for sustained growth, while remaining vigilant to potential headwinds stemming from global uncertainties and market volatilities. Growth in 2024 will be driven by resilient domestic expenditure and improvement in external demand. On the external front, the IMF is projecting rebound in global trade growth from 0.4% in 2023 to 3.3% in 2024. Investment activity will be underpinned by further progress of multi-year projects, by both the private and public sectors, as well as the implementation of

CHAIRMAN'S STATEMENT (CONT'D)

catalytic initiatives under various national master plans. However, the growth outlook remains subject to downside risks stemming from weaker-than-expected external demand and larger decline in commodity production. Furthermore, evolving regulatory frameworks and shifting consumer preferences necessitate agile responses and proactive risk management strategies.

In response, Kim Hin Industry Berhad remains committed to leveraging its operational resilience, strategic agility, and unwavering commitment to sustainability to navigate uncertainties and capitalise on emerging opportunities in the year ahead.

APPRECIATION

I would like to take this opportunity to extend my heartfelt appreciation to all stakeholders and shareholders for their unwavering support and confidence in Kim Hin Industry Berhad.

I would also like to express my gratitude to our esteemed Board members for their invaluable guidance and stewardship, as well as to our dedicated management team and employees for their tireless efforts and commitment to excellence.

Together, we will continue to uphold the principles of integrity, innovation, and sustainable growth as we chart the course for a prosperous future for Kim Hin Industry Berhad and its stakeholders.

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 operations for the financial year ended 31 December 2023.

The MD&A should be read together with the Group's audited financial statements for the financial year ended 31 December 2023.

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 manufacturing activity of its Shanghai plant has ceased subsequently after year end. The marketing network of Kim Hin Group comprises sales offices situated in major cities of Malaysia (Kuala Lumpur, Kuching, Kota Kinabalu, Petaling Jaya, Johor Bahru, Ipoh and Penang), Australia (Melbourne, Sydney, Brisbane and Hobart), People's 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 twenty-six (26) stores located in New South Wales, Queensland, and the Australian Capital Territory. Presently, Kim Hin Group employs approximately 1,266 employees worldwide.

The Group exports about 22% of its production from the Malaysia plants to overseas, mainly Australia, Middle East, Taiwan and Pakistan while its Shanghai plant exports about 61% of its products to the Australian 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 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's Republic of China is under governance of compulsory product certification issued by China Quality Certification Centre.

The Group's Malaysian operations has an 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 operations 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 results 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

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Financial					
Revenue	378,588	336,662	344,088	339,988	310,122
(Loss)/profit before interest and tax	(27,242)	5,073	(27,849)	(30,819)	(37,598)
Finance costs	2,520	1,903	1,995	2,315	2,446
Net loss after tax	(31,446)	(5,292)	(32,553)	(32,398)	(40,127)
Shareholders' equity	406,849	396,521	367,643	333,921	297,361
Total assets	553,646	557,972	536,528	487,291	435,115
Borrowings	22,915	21,960	23,652	22,839	18,202
Debt/Equity (%)	5.63	5.54	6.43	6.84	6.12
Loss per share (sen)	(23.14)	(7.42)	(23.21)	(23.11)	(26.54)
Net assets per share (RM)	2.90	2.83	2.62	2.38	2.12
Dividend per share (sen)	-	2.00	2.00	-	-
Share					
Year high (RM)	1.26	1.07	1.00	0.870	0.61
Year low (RM)	1.00	0.64	0.73	0.555	0.42
Year close (RM)	1.05	0.81	0.87	0.585	0.55
Market capitalization as at year end (RM'000)	147,251	113,594	122,008	82,040	77,131

Review of Financial Results and Financial Conditions

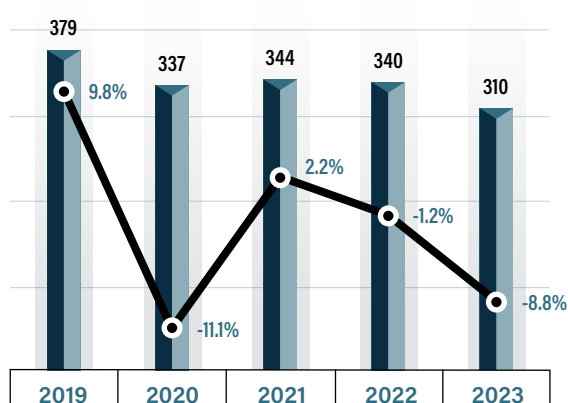
Revenue

The Group registered a revenue of RM 310 million for the current financial year compared to revenue of RM 340 million recorded in the preceding financial year. The decline in revenue was across all geographical segments of the Group due to soften market conditions and global economy was still on the path of slow recovery from the aftermath of Covid-19 pandemic.

The revenue for the Group's Malaysia segment had contracted by 4%, while the Group's overseas operations registered between 11% to 50% decline in revenue. Nevertheless, the Kim Hin's overseas operations contributed about 50% (2022: 52%) of the Group's revenue for the current financial year under review.

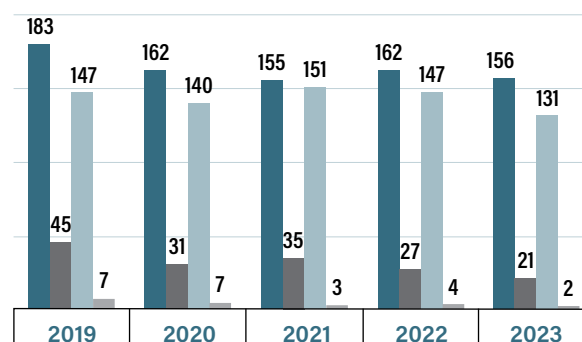
Group Revenue (RM million)

■ Group Revenue ■ Revenue Growth (%)



Revenue by Segment (RM million)

■ Malaysia ■ China ■ Australia ■ Vietnam



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

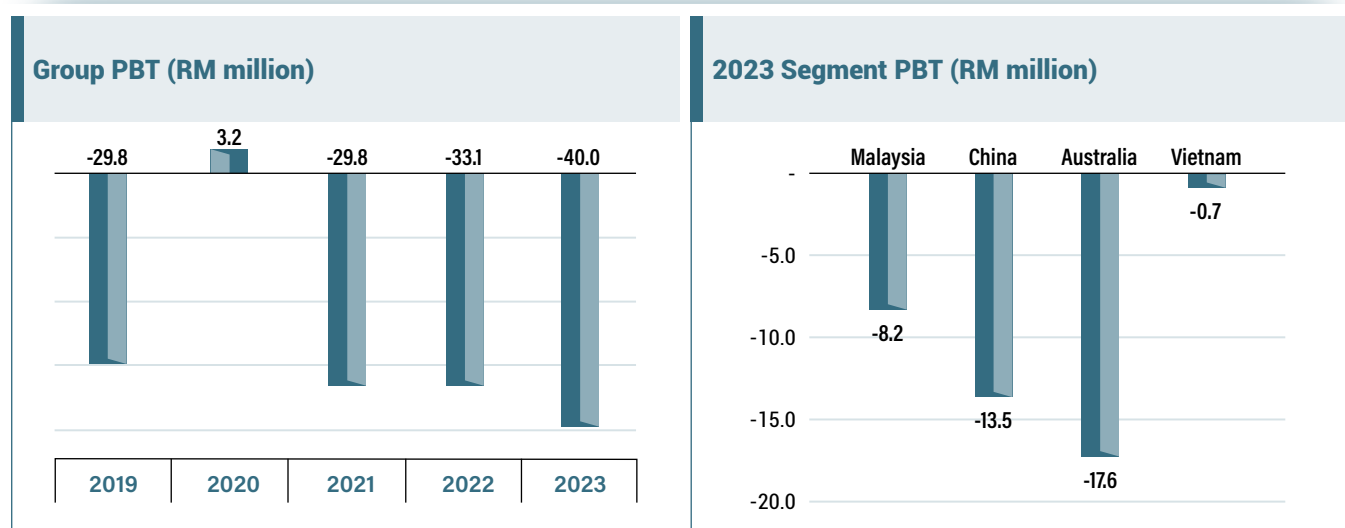
Profit Before Tax

The Group recorded a loss before tax of RM40.0 million for the current financial year, compared to a loss of RM33.1 million in the previous financial year. This is mainly due to higher impairment charges as the Group continues to reassess the market conditions and its operation performance, in light of the continued losses. Consequently, a further impairment on its intangibles, inventories, property, plant and equipment, investment properties, and right-of-use assets amounting to RM16.0 million was recorded in the current financial year (2022: RM1.9 million).

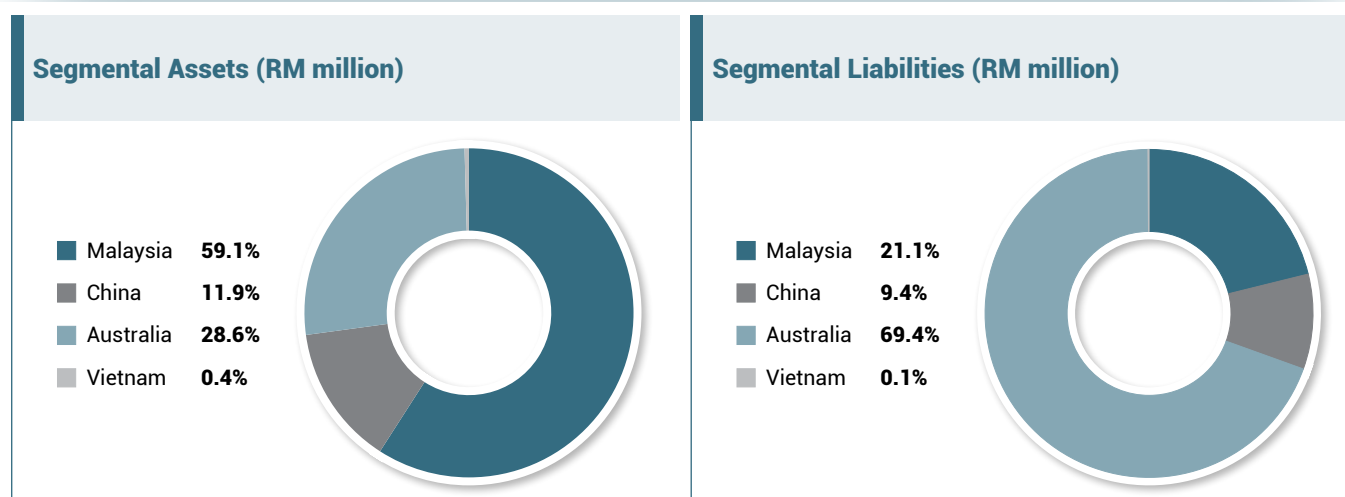
Operating expenses (excluding cost of sales and impairment loss on assets) of the Group increased to RM115.3 million (2022: RM113.0 million) during the financial year. The increase was mainly due to higher selling and distribution expenses and other expenses.

Total finance costs, including interest on lease liabilities recognised in accordance with MFRS 16 Leases, increased marginally from RM2.3 million to RM2.4 million.

The Group's income tax expense for the current financial year was RM0.08 million as compared to an over provision of RM0.7 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 was the non-applicability of group tax loss relief and the effect of non-deductible expenses for tax purposes.



Distribution of Segmental Assets and Liabilities of the Group as at 31 December 2023



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Assets

Investment properties

The net carrying amount of its investment properties stood at RM 31.6 million (2022: RM 33.8 million) as at current financial year end, mainly due to depreciation and impairment during the year.

Right-of-use assets

	2023 RM'000	2022 RM'000
Leasehold land	35,910	37,148
Buildings (leased premises)	25,076	30,443
Others	380	2,560
Net carrying amount	61,366	70,151

The right-of-use assets include the Group's short term and long term leasehold land of RM 35.9 million (2022: RM 37.1 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 25.5 million (2022: RM 33.0 million).

Trade and Other Receivables

	2023 RM'000	2022 RM'000
Trade receivables	48,480	54,493
Trade deposits to suppliers	473	-
Other receivables	3,138	3,187
	52,091	57,680

The Group's collectible trade receivables as at the current financial year has reduced by 11.0% as compared to the previous financial year end, in line with the decline in Group's revenue of 8.8%. The turnover of the Group's trade receivables has reduced to 57 days from 59 days recorded in the previous financial year.

A provision of expected credit losses on trade receivable (net) amounting to RM957,000 was reversed (2022: net provision of RM504,000) during the current financial year. The Group's credit exposure is well manageable as evidenced by the relative shorter turnover period of trade receivables and leaner provisioning of credit losses.

Inventories

	2023 RM'000	2022 restated RM'000
Finished goods	76,131	90,307
Raw materials, and work-in-progress	15,966	25,308
Packing materials, spare parts and sundry inventories	10,977	11,377
	103,074	126,992

The total finished goods stood at RM 76.1 million (2022: 90.3 million) at the end of the current financial year under review. The Group provided a net write down of RM 1.2 million (2022: a net write back of RM 3.9 million) on its inventories during the financial year under review.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Liabilities

Trade and other payables

	2023	2022 restated
	RM'000	RM'000
Trade payables	40,826	44,352
Trade deposits from customers	3,584	4,111
Deferred revenue	300	665
Other payables	24,443	22,112
	<u>69,153</u>	<u>71,240</u>

The Group's trade payables decreased by 8.0% to RM 40.8 million from RM 44.4 million in the previous financial year.

Lease liabilities

	2023	2022
	RM'000	RM'000
Current	10,383	9,373
Non-current	22,126	27,252
	<u>32,509</u>	<u>36,625</u>

These represent the present value of lease payments to be made over the lease term of 2 to 7 years by the Group. They are mainly lease contracts for property rented for the Group's operation.

Loans and borrowings

	2023	2022
	RM'000	RM'000
Bank overdraft	645	458
Trade facilities (unsecured)	9,327	10,599
RM loans (secured)	6,892	10,315
AUD loans (secured)	909	1,228
Hire purchase	429	239
	<u>18,202</u>	<u>22,839</u>

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

Capital structure and capital resources

The Group's borrowings stood at RM 18.2 million (2022: RM 22.8 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 0.06 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.

Business outlook

The business communities continue its path on a modest economy recovery and the global economic growth is expected to remain tepid amid heightened economic uncertainties. The Group continues to be affected by the global financial market volatility, the prolonged Sino-USA trade wars and the Ukraine-Russia war, 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 2024. The Board, however, is clear that the situation does not present an existential threat to Kim Hin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 navigated 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. However, the Group's manufacturing facility in Shanghai has been discontinued at end of January 2024 as the Group is focusing on outsourced products and product development.

The Group continues its actions in protecting 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 spending only on essentials, re-prioritizing of business activities and investments.

Kim Hin is in stable financial position and has a low level of debts (low gearing ratio around 6% of its equity) to support its business. The Group has total cash reserves and other investments (easily convertible to cash) of RM 65 million, as at the end of the financial year ended 31 December 2023.

In ensuring short-term liquidity, the Group has sufficient trade facilities offered by its bankers to meet its short-term cash requirement and is also actively monitoring customers' payments as evidenced by shortened collection period.

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

Kim Hin's efforts in strengthening and achieving revenue growth for its overseas operations continues. The Group is concentrating its efforts and focus on securing export sales, to address the declining demand as well as the utilisation of production capacity for the manufacturing plants in Malaysia.

The Board is confident that Kim Hin is well placed to face and withstand present uncertainties and, the Group will remain focused in executing its business plan and mission despite the current challenging business environment.

Dividend policy

The Board has not recommended any distribution of dividend for the financial year under review in view of the Group's performance and the need to preserve the Group's cash reserves, as the Group continues to face the constraints and weak external demand environment post Covid-19 pandemic. The Group remains committed and will endeavour to reward its shareholders a fair and equitable return on their investment.

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, India 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 operations in its traditional stronghold market, Australia by venturing into retails activities through its wholly owned subsidiary in Australia, Australian Tiles. Australian Tiles 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's market diversification strategy in facing the soft market conditions of its Malaysia operations 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").

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 since the beginning of year 2022, continuous gradual hike in 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 are considered low due to the minimal borrowings of the Group (6% of the shareholders' equity) and is mitigated by the Group's cash reserves. However, the continuous losses suffered by the Group over the last few years has limited the flexibility of the Group in obtaining credit facilities from financial institutions thus increasing the cash flow risks as the Group strives to ensure the availability of working capital.

Interest rate risk for the Group's floating interest rates bearing borrowings is minimized due to its low gearing ratio, and the Central Bank of Malaysia has kept its key overnight policy rate at 3.0%. 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 remain unchanged.

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") recognised that corporate governance practices are vital in ensuring high standards of integrity, accountability, and ethics in the conduct of the Company's business and, in all aspects of business operations and undertakings. The Board performed corporate governance practices throughout the group while performing their duties and fiduciary responsibilities in the interest of the company. The Board believes good corporate governance is imperative to ensure sustainable long-term performance, create long-term economic value and growth for the Group, and also maximise returns for shareholders.

The Board strives to implement the practices set out in the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**") as a high standard of corporate governance within the group. It is a crucial process and structure for the Board to direct and manage the company's businesses and affairs 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 and, 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 practices as set out in the **MCCG 2021** is disclosed in the Corporate Governance Report which is available at the Company's website, www.kimhin.com.my.

1) BOARD 'S LEADERSHIP AND EFFECTIVENESS

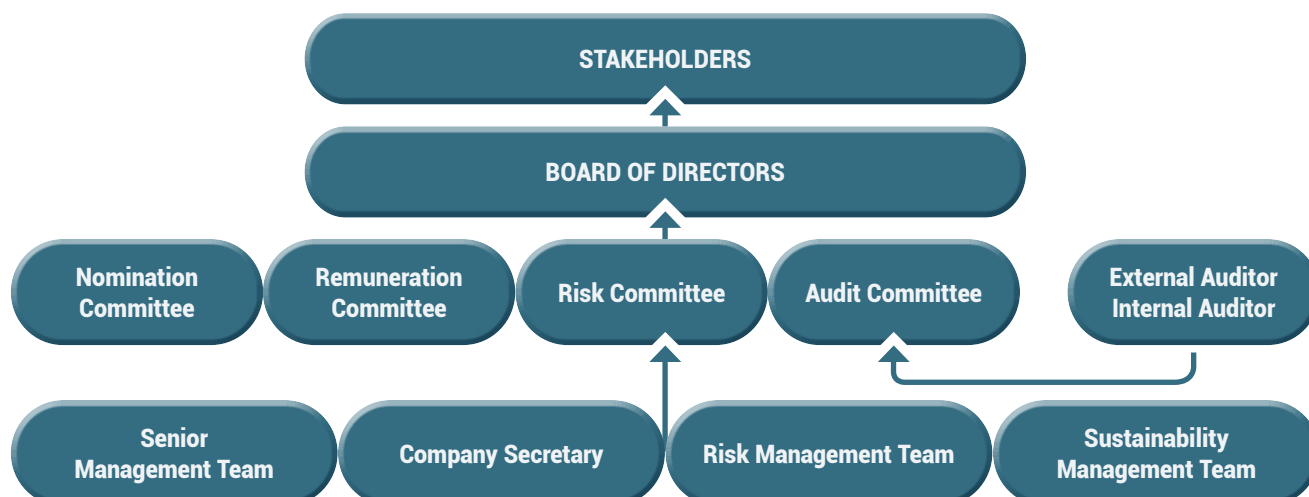
The Board of Directors

The Board as the Group leader, is responsible for developing and overseeing the Group's strategic plans and businesses directions and performance. The Board instils good corporate governance culture within the group through formulation of policies and oversees the group investments operations. The Board always ensures that the Company is embraced with 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 organisation structure and authority chart to ensure effective discharge of management responsibilities and capabilities of each functional departments and to provide effective flow of corporate governance information and communication within the Group.

CORPORATE GOVERNANCE STRUCTURE



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

- 1) Establishing strategic plans, objective, mission for the long term success of the organisation;
- 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 optimise the business development, performance and growth of the Companies 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 emphasises 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, organise 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 Ms. Jong Oi Jen, who joined the Company in year 2018. She is a Fellowship Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), an affiliate body to the Chartered Governance Institute, United Kingdom. She holds a SSM Practising Certificate and is qualified to act as a Company Secretary under Section 235 of the Companies Act 2016. She has more than 15 years of professional experience in corporate secretarial and accounting 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 a 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

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 the 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

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 government 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 our 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. In year 2023, the internal auditors conducted an audit on the status of implementation actions pursuant to Section 17A MACC Act with the Group.

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 accessible at the Company's Corporate website www.kimhin.com.my.

Directors' Fit and Proper Policy

The Directors' Fit and Proper Policy of the Company was established on 30 June 2022.

The objectives of the policy are listed as follow:

- 1) To guide the Board of Nomination Committee and Remuneration Committee and the Board of Directors in their review and assessment of candidates who are to be appointed onto the Board as well as directors who are seeking for re-election; and
- 2) To ensure that each of the Directors has the character and integrity, experience and competence, time and commitment to effectively discharge his/her role as a Director of the Company and its subsidiaries.

The fit and proper criteria of a Director include but not limited to the following:

- 1) Character and Integrity
 - Probity
 - Personal Integrity
 - Financial Integrity
 - Reputation
- 2) Experience and competence
 - Qualifications, training and skills
 - Relevant experience and expertise
 - Relevant past performance or track record
- 3) The assessment

The NC and RC will assess person for a new appointment or re-appointment of Directors based on the criteria set under item 2.1 before recommending to the Board for approval.
- 4) Review of the policy

The NC and RC shall recommend any change to the Policy as and when the NC and RC deem appropriate, to the Board for approval. The terms of the policy shall be assessed, reviewed and updated when necessary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 two (2) directors or one-third (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

Appointment of New Independent Non-Executive Directors in year 2023

Pursuant to the amendments of the Listing Requirements on the enhancement in relation to the independent directors which limit the tenure of Independent Directors up to twelve (12) years, the 2-tier voting process shall apply up to the 12th year only. The Independent Directors shall be re-designated as Non-Independent Directors by 1 June 2023 if the Company still intends to retain him.

During the last Annual General Meeting held on 24 May 2023, Mr. Fong Tshu Kwong and Mr. Ong Ah Ba who have served the board as Independent Non-Executive Directors for a period of more than twelve (12) years, retired as Independent Non-Executive Directors and have expressed their intention not to seek to be re-designated as Non-Independent Directors. The Board thanks Mr. Fong and Mr. Ong for their long service to the company.

Following the retirements of Mr. Fong and Mr. Ong, Dato Sim Kheng Boon and Mr. Kho Soon Kheng were appointed as Independent Non-Executive Directors on 25 May 2023.

The Nomination Committee ("NC") and the Board carried out the assessment on Dato Sim Kheng Boon and Mr. Kho Soon Kheng on 24 February 2023. The Board is satisfied with their level of independence and their ability to act in the best interests of the Company.

Dato Sim Kheng Boon and Mr. Kho Soon Kheng who have the consent to act as the Independent Non-Executive Directors of the Company, have made the necessary declarations in compliance with Bursa Malaysia Main Market Listing Requirements and Section 201 of the Companies Act 2016.

Mr. Kho Soon Kheng is appointed as the Chairman of the Audit Committee and the member of the Nomination Committee, whereas Dato Sim Kheng Boon is appointed as the Chairman of the Remuneration Committee and Nomination Committee and the member of the Audit Committee of the Company. Both of them are members of the Risk Committee.

The appointment of Dato Sim Kheng Boon and Mr. Kho Soon Kheng as Chairman of various Board Committees, provides an additional channel for the Independent Non-Executive Directors to voice any opinions or concerns so that they are properly considered or addressed by the Board.

Independent Non-Executive Director's Tenure Policy

The Board strongly believes that a director's independence cannot be determined arbitrarily with reference to a set period of time. The Company does not have a policy which limits the tenure of its independent Non-Executive Directors to a maximum of nine (9) years. Shareholders' approval shall be obtained at the annual general meeting through a two-tier voting process each year for the retention of the Independent Non-Executive Directors who have served on the Board for more than 9 years, but no more than 12 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 ("NC") 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 Directors.

The members of the Nomination Committee are as follows:

- 1) Dato Sim Kheng Boon (Chairman of Nomination Committee); and
- 2) Mr. Kho Soon Kheng (Member of Nomination Committee).

Each year, the Nomination Committee assesses the effectiveness of the Board and Board Committees, contributions and performance of each individual 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, maximise 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 customised questionnaire. The Board oversees the overall evaluation process and responses are analysed by the Nomination Committee, being tabled and communicated to the Board.

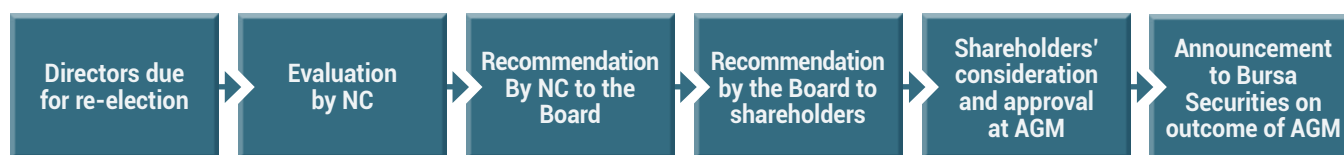
The criteria on which assessment of the Board's effectiveness is carried out is developed, maintained and reviewed by the Nomination Committee. They include, inter alia, Board's and Board Committees' composition, Board's roles and responsibilities, and Board's operations.

Given that the Chairman of Nomination Committee serves as a confidant to the other directors, Dato Sim Kheng Boon, 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 NC is set out in the Board Charter and is available at the Company's Corporate website – www.kimhin.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Re-election of Directors



The NC ensures that the retired directors are re-elected in accordance with the relevant laws and regulations in Malaysia and the Constitution of the Company. The NC considers the performance of the Directors who are due to retire or re-election at the forth coming AGM before making recommendation on their re-election to the Board.

Pursuant to Clause 118 of the Constitution of the Company, at least one-third (1/3) of the Board of Directors – currently two Directors will have to retire by rotation at the 51st AGM of the Company to be held on 30 May 2024. Based on the schedule of retirement by rotation, the Directors who are due for retirement at the 51st AGM are:

- 1) Dato' John Chua Seng Chai;
- 2) Mdm. Pauline Getrude Chua Hui Lin; and
- 3) Mr. Yong Lin Lin.

Mr. Yong Lin Lin has expressed his intention not to seek re-appointment. Hence, he will retire at the close of the 51st AGM of the Company.

Pursuant to Clause 117 of the Company's Constitution, any director so appointed shall hold office only until the conclusion of the next annual general meeting and shall be eligible for re-election at such meeting. The directors shall eligible for re-election at the forth coming annual general meeting are as follows:

- 1) Dato Sim Kheng Boon; and
- 2) Mr. Kho Soon Kheng.

Board Evaluation

The evaluations criteria performed by the NC for Board and Board Committee in year 2023 were as follows:

- 1) Board evaluation on the Mission and Strategic Direction, Governing Documents, Leadership, Succession and Transparency, Budgeting, Finance and Infrastructure;
- 2) Evaluation of Board and Board Committees on:
 - (i) Board mix and composition;
 - (ii) Quality of information and decision making;
 - (iii) Boardroom activities;
 - (iv) Board's relationship with the management;
 - (v) Performance evaluation of Board Committee; and
 - (vi) Board skills.
- 3) Directors' evaluations on the following assessment criteria:
 - (i) Fit and Proper;
 - (ii) Contribution and performance; and
 - (iii) Calibre and personality.
- 4) Directors' Self Evaluation on Board Skills;
- 5) Evaluation of Group Managing Director and Chief Financial Officer on their contributions and performance as well as their calibre and personality;
- 6) Evaluation of Audit Committee ("AC") on Quality and Composition, Skills and Competencies, Meeting Administration and Conduct; and

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

7) Audit Committee Members' self and peer evaluation.

The assessment process of the evaluations on the Board, Board Committees, Individual Director and Senior Management are as follows:

- (i) The Evaluation Forms of the Board, Individual Director, Group Managing Director and Chief Financial Officer are sent to all members of NC for their evaluation.
- (ii) Completed Self-Evaluation Forms of Directors and AC are sent to NC for their perusal.
- (iii) Members of NC reviewed all the Evaluation Forms and thereafter returned to the Company Secretary.

The results will be discussed at the NC meeting and the NC will make recommendations to the Board at the Board of Directors' Meeting.

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 2023 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	5/5	100%
Pauline Getrude Chua Hui Lin	5/5	100%
Chua Yew Lin	5/5	100%
Fong Tshu Kwong	3/3 (Retired on 24 May 2023)	100%
Ong Ah Ba	3/3 (Retired on 24 May 2023)	100%
Dato Sim Kheng Boon	2/2 (Appointed on 25 May 2023)	100%
Kho Soon Kheng	2/2 (Appointed on 25 May 2023)	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. A 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. Both Mr. Kho Soon Kheng and Dato Sim Kheng Boon have complied with the requirement.

During the financial year ended 31 December 2023, the Directors attended the trainings entitled as "Writing Bursa Enhance ESG Reports".

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 27 November 2023.

The Board acknowledges the importance of formalisation of Compensation Policy 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 with all the members comprises of the Independent Non-Executive Directors.

The members of the Remuneration Committee are listed as follows:

- 1) Dato Sim Kheng Boon (Chairman of Remuneration Committee); and
- 2) Mr. Yong Lin Lin (Member of Remuneration Committee).

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

Details of Directors' remuneration

The detailed disclosure of the remuneration (on a group basis) and directors' fee paid to Directors of the Company for the financial year ended 31 December 2023 are available in the Corporate Governance Report for the financial year ended 2023.

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
RM150,001 to RM200,000	1
RM200,001 to RM250,000	1
RM250,001 to RM300,000	1
RM300,001 to RM350,000	1
Rm350,001 to RM400,000	1
Total	5

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 Independent Non-Executive Director, Mr. Kho Soon Kheng.

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 three 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 the Audit Committee**

The members of the Audit Committee of the Company are all Independent Non-Executive Directors, they are:

- 1) Mr. Kho Soon Kheng (Chairman of Audit Committee);
- 2) Dato Sim Kheng Boon (Member of Audit Committee); and
- 3) Mr. Yong Lin Lin (Member of Audit Committee).

- **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 Enterprise Risk Assessment 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.

- **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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Risk Committee

The Risk Committee ("RC") is responsible for understanding and managing risk exposures and reporting to the Board of Directors on the effectiveness of risk management programs. The Company adopt a common approach to the identification, assessment and management of risk across all business lines and corporate functions.

- The membership of Risk Committee

The members of the Risk Committee of the Company consist of one Executive Director and two Independent Non-Executive Directors, they are:

- 1) Dato' John Chua Seng Chai (Chairman of Risk Committee);
- 2) Dato Sim Kheng Boon (Member of Risk Committee); and
- 3) Mr. Kho Soon Kheng (Member of Risk Committee).

The Risk Committee working through the Risk Manager, shall:

- Establish an RC framework and execute regular risk assessment. The framework should provide a consistent approach to risk and facilitate an accurate perception of acceptable risk by all employees. The annual risk assessment will characterise the range of corporate risk exposures, including risk impacts to stakeholders, environment, and corporate reputation.
- Report to the Board of Directors on risk assessment results, risk management activities and the effectiveness of the risk management framework.
- Perform its duties and responsibilities as prescribed in the RC Terms of Reference.

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 Company's Corporate website to disseminate information to stakeholders.

Through the Company's Corporate website at 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 MMLR, 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 2024 are ensuring the strategic plans and the risk management and internal control of the Group 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 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 2023.

COMPOSITION OF THE AUDIT COMMITTEE

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

Mr. Kho Soon Kheng (Chairman of the Audit Committee)
(Independent Non-Executive Director)

Dato Sim Kheng Boon (Member of the Audit Committee)
(Independent Non-Executive Director)

Mr. Yong Lin Lin (Member of the Audit Committee)
(Independent Non-Executive Director)

There were five (5) meetings held during the year as follows:

- 1) 24 February 2023
- 2) 12 April 2023
- 3) 24 May 2023
- 4) 28 August 2023
- 5) 24 November 2023

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

Name of Audit Committee member	Attendance	Percentage of attendance
Fong Tshu Kwong (Date of Retirement : 24 May 2023)	3/3	100%
Ong Ah Ba (Date of Retirement : 24 May 2023)	3/3	100%
Kho Soon Kheng (Date of appointment : 25 May 2023)	2/2	100%
Dato Sim Kheng Boon (Date of appointment : 25 May 2023)	2/2	100%
Yong Lin Lin	5/5	100%

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 2023, 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:

- Sales Performance
- Inventory Management and Control
- Recurrent related party transactions
- Mechanical Maintenance
- e-Invoice implementation

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 monitoring 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 2023; and
 - 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 an independent meeting with the External Auditors on 24 November 2023 without the presence of the Executive Directors, the management and Internal Auditors. The Audit Committee enquired about the management's cooperation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.
- c. On 23 February 2024 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 or 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 skepticism 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 8 April 2024 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 2024, 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 2021 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 2023.

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 Committee ("RC") (previously known as Risk Management Committee) 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 Group's Enterprise Risk Management ("ERM") helped management in 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 ERM periodically with the engagement of external consultants to facilitate the process. The Group's Malaysia operations had organised separate Enterprise Risk Assessment sessions in July 2022 and December 2022 for its operations in Kuching, Petaling Jaya and Seremban where the Group reviewed, identified and assessed 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. The final results were released in January 2023.

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.

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:

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)

- A formalised Board Charter, Code of Conducts and Ethics for Directors and management staff, 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's Republic of China (Shanghai);
- Management Review Meetings and Management Meetings are held to address amongst others operational matters, updates and new requirements; and
- Continuous monitoring of the Group's Corporate Key Performance Indicators ("KPI"), 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 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.

During the financial year under review, the Group's Internal Auditors have performed audits 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, mechanical maintenance, production process 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 2023 was in the region of RM53,000.

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 2023, 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 29 April 2024.

SUSTAINABILITY STATEMENT

Kim Hin Group of Companies ("Kim Hin," "the Company") recognised that improving sustainability development is vital for business resilience and have adopted a sustainability process that governs all of the Group's activities and steers them towards sustainable ends, where possible. The sustainability process assumes the role as our central sustainability programme in line with regulatory requirements.

In 2023, the Company continues its sustainable development journey by addressing the challenges of slowing markets. Geopolitical tensions also continued unabated in Eastern Europe, disrupting global trade and exacerbating the shortage of materials and labour, effectively adding even greater pressure on economic growth.

The Board of Directors ("the Board") responded to the challenges by laying a path through implementing a more defined strategic planning that would support the business and deliver corporate growth whilst supporting social needs.

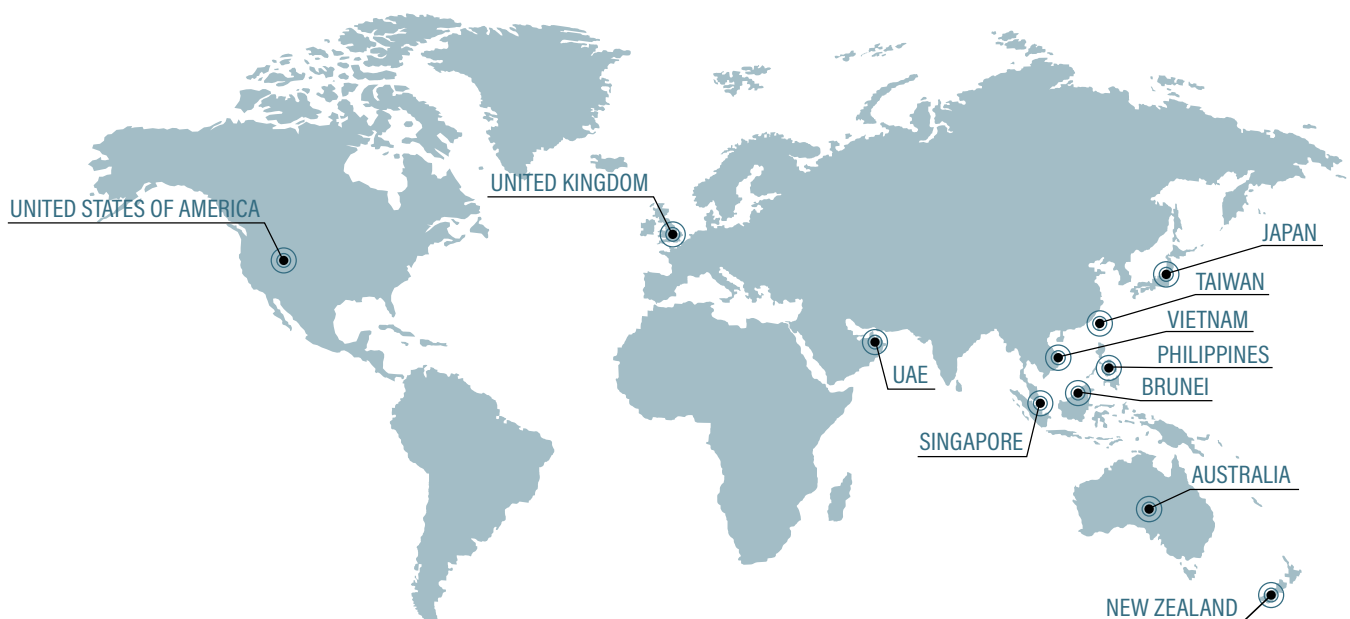
The Company's operations and revenues have been significantly affected by the escalating raw material, fuel and high logistics costs. The sales market for our products, especially in Malaysia, China and Australia, has been hard hit by global inflation and the economic downturn and the increasing customers' expectations on our products is seen as one of the key challenges for the Company.

The Board strives to develop sustainable plans to identify and detect potential operational and financial risks arising from the disruption of business functions and processes. The Group has formulated its sustainability process to ensure that our activities and goals remain relevant with a quickly changing and dynamic operating environment. Risk assessments for the Group are conducted to identify the potential risks and impact of any disruptions.

The Board is committed to corporate governance that contributes to building the environmental trust, transparency and accountability necessary to spur long-term investment, financial stability and business integrity. It strives to implement the practices set out in the Malaysian Code on Corporate Governance 2021 to ensure the effectiveness of the Board's leadership and control. The Board ensures the continuous development of the corporate governance culture within the Group.

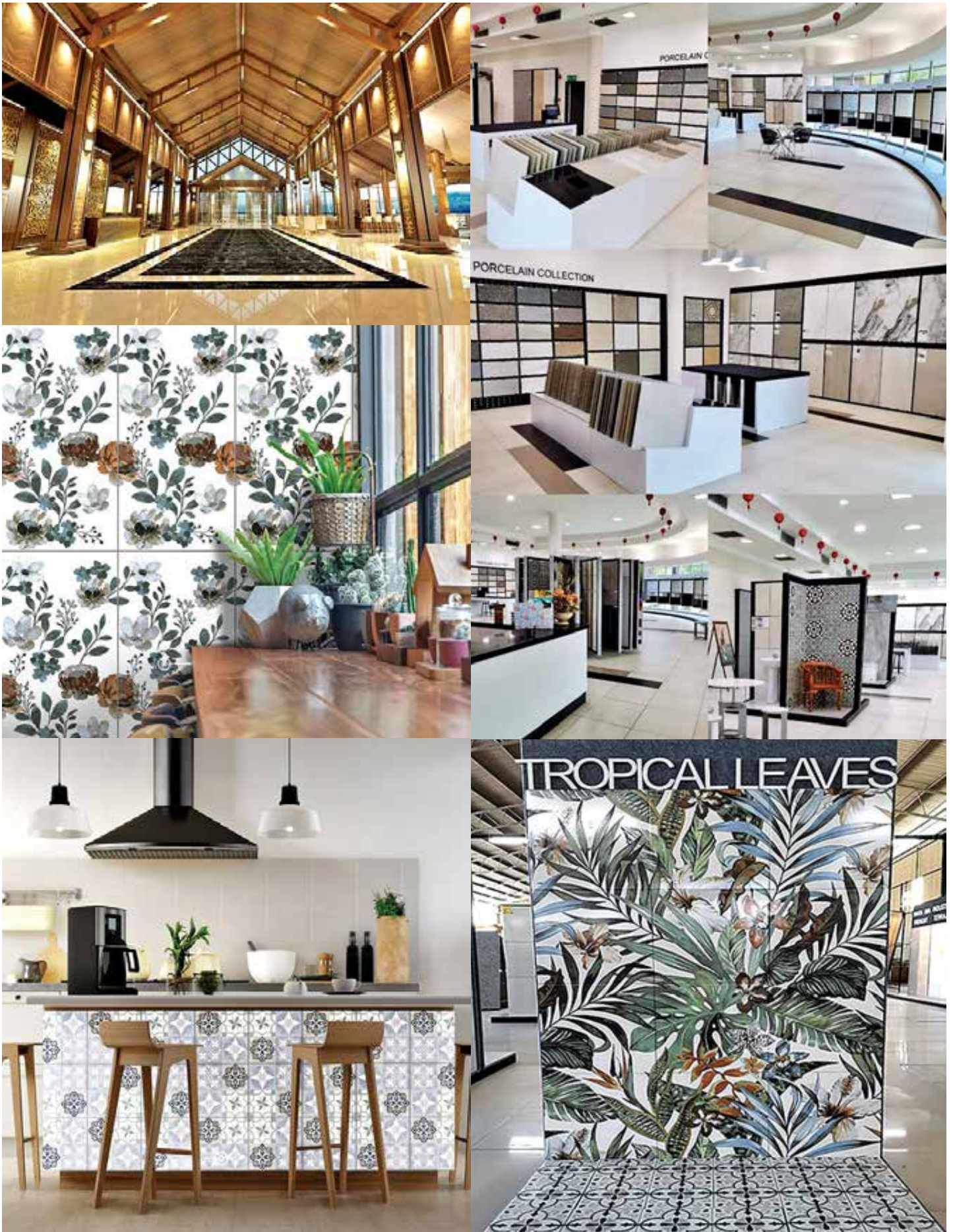


THE EXPORT MARKETS OF KIM HIN INDUSTRY BERHAD GROUP



SUSTAINABILITY STATEMENT (CONT'D)

OUR PRODUCTS



SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY GOVERNANCE

Sustainability Governance is a key factor that allows the business to create long-term value for stakeholders. The Board continues to pursue a business strategy with an emphasis on the ethical, environmental, social and economic dimensions of business.

SUSTAINABILITY GOVERNANCE STRUCTURE



Sustainability Management Team

Board of Directors	<ul style="list-style-type: none"> • Supervises and monitors the viability of the Group. • Establishes strategic sustainability plans and targets. • Establishes policies and standards such as Directors' Fit and Proper Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct and Ethics, Safety and Health and Environmental Policy. • Leads the Sustainability Working Committee according to business plans. • Drive the performance of the Kim Hin Group business, identify key business risks and establishes a solid internal control and risk management framework.
Sustainability Working Committee	<ul style="list-style-type: none"> • Includes Group Managing Directors, Executive Directors, Chief Financial Officer, Company Secretary, Senior Management and Heads of Departments. • Perform assessment on risk and control of the key risk areas. • Implement sustainability issues in accordance with Board business plans. • Consolidates the Group's overall sustainability performance against targets and goals.
Business Units	<ul style="list-style-type: none"> • Lead by Executive Directors and Senior Management. • Abide by corporate policies. • Address, communicate and coordinate the sustainability related matters across the business units. • Maneuvering and monitoring of production performance, plant maintenance and technical inspection. • Developing products' design and innovation. • Operating business in accordance with the Board's strategic business plans. • Performing Risk Assessment Analysis to identify the potential risk and opportunities. • Prepare price analysis for the products. • Internal Control execution. • Performing production planning, logistics handling and inventory control. • Provide good services to the distributors and customers. • Handling customers' complaints. • Report to business performance to top management. • Provide necessary support and data to Enterprise Risk Management and Sustainability Unit for sustainability reporting purposes.

SUSTAINABILITY STATEMENT (CONT'D)

RISK ASSESSMENT

The risk and opportunity assessment are performed annually by the management. The scope of risk assessment conducted in 2023 was as follows:

1) Compliance with Section 17A Malaysia Anti-Corruption Commission Act 2009 (Amendment 2018); 2) Fluctuations in foreign currencies exchange rate; 3) Product pricing; 4) Market and trade circle; 5) Economic growth and high inflation; 6) Production efficiency; 7) Staff turnover; 8) Inventory management; 9) Business processes that are environmental consciousness and friendly; 10) Climate Change; 11) Health and safety; 12) Product size, surface and faces;	13) Timely delivery to customers; 14) New product development; 15) Good sales services to customers and distributors (e.g. prompt reply to enquiries, effective monitoring of purchase orders) 16) Good business image; 17) Customers satisfaction; 18) Credit limit management; 19) Products' quality and designs; 20) Logistic costing; 21) Quality of incoming raw material; 22) Suppliers' lead time on supply of goods; and 23) Overseas suppliers' delivery management during festive seasons.
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We focus on reducing risks and seizing opportunities on the above issues centered on sustainable practices.

STAKEHOLDERS ENGAGEMENT

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

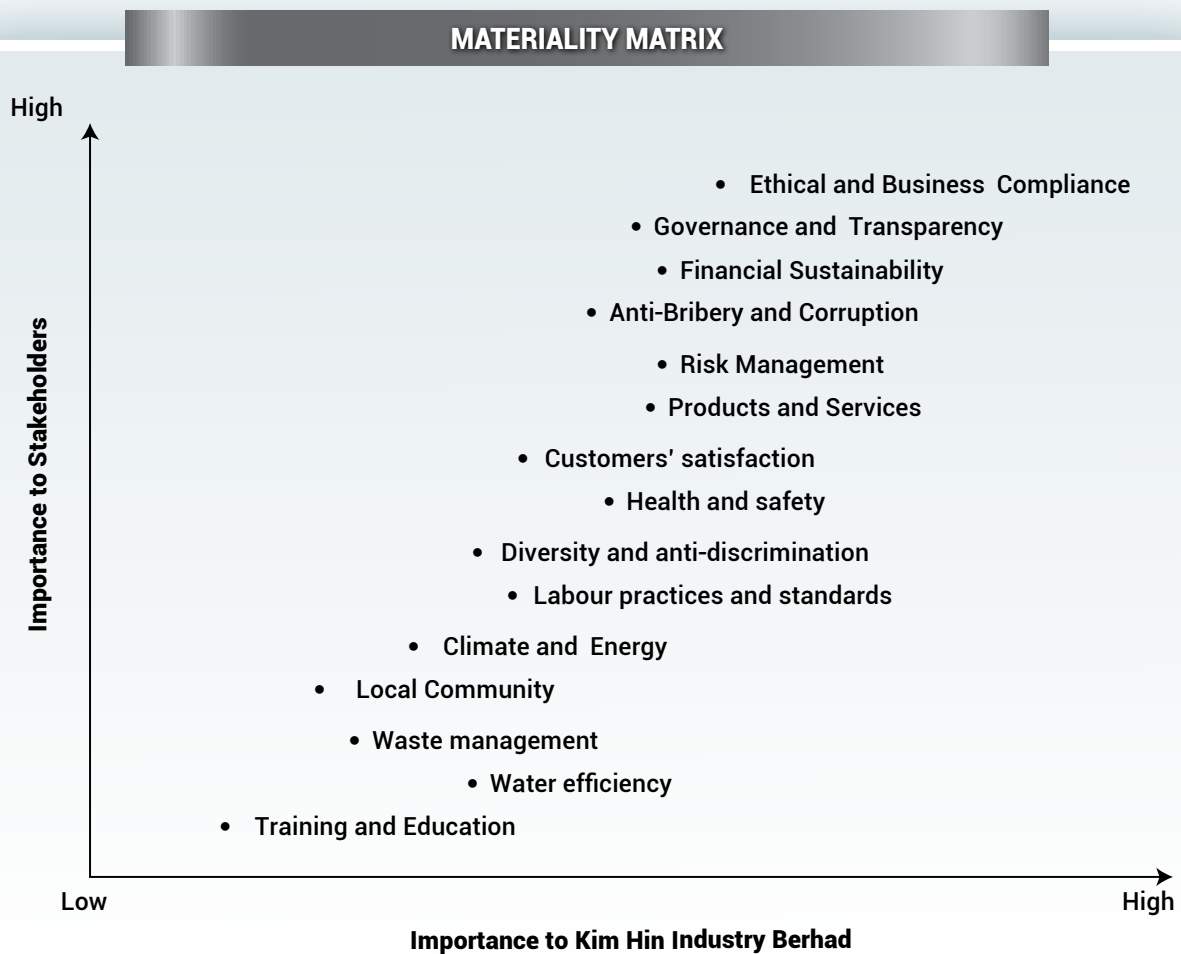
Customers	Employees	Investors	Government	Business Partners/Suppliers	Local Community
<ul style="list-style-type: none"> Customer feedback and surveys Customers' Complaints Corporate website Notices and announcements 	<ul style="list-style-type: none"> Departmental meeting Performance evaluations Staff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

Materiality

Materiality assessment is an important plank in our sustainability process which enables us to assess and determine issues that may have significant financial and non-financial impact on our organisation. These include matters that may directly affect our value creation activities or matters that may have indirect and knock-on impact.

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

SUSTAINABILITY STATEMENT (CONT'D)



ENVIRONMENTAL COMMITMENT

We are committed to the conservation of the environment as well as reducing the carbon footprint to the environment and to maintain a clean, safe and healthy environment.

OUR ENVIRONMENTAL POLICY

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.

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.

We have adopted environmentally friendly practices to lessen the damage to the environment that support 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 maximize energy efficiency improvements. The main environment factors associated with the production of ceramic tiles are gaseous emission production of heat, dust and waste.

SUSTAINABILITY STATEMENT (CONT'D)

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.



ENERGY SAVING

Our rapid cycle roller kilns have installed highly efficient burners and a heat recovery system installed as part of our energy-saving efforts. Translucent panels are installed on the roofs of our manufacturing facilities to minimise our daytime energy usage and to foster company-wide utility-saving habits. Offices and industrial buildings use LED lightings widely, which are energy-saving, environmentally beneficial.

Installing solar panels, which take in sun rays and transform them into electricity or heat, is one of the options to promote green technology. In year 2023, Kim Hin Ceramic (Seremban) Sdn. Bhd. ("KHCS"), a wholly owned subsidiary of Kim Hin Group embarked on sustainable energy programmes at its two manufacturing plants situated in Seremban, Negeri Sembilan with the signing of a 20-year Corporate Solar Purchase Agreement. The main objective of this initiative is to reduce its Scope 2 GHG Emission via displacement of up to 20% of its annual electricity taken from the grid with renewable energy generated from the rooftop solar photovoltaic (PV) systems.

The installed capacities of the solar PV systems being built and operated on the roofs of KHCS Plant 1 and Plant 2 are 1.15 MWp and 0.52 MWp respectively. Both solar PV systems are registered under the Net Energy Metering (NEM) 3.0 program of Net Offset Virtual Aggregation (NOVA) category.

The installed rooftop solar PV systems at Plant 1 and Plant 2 are expected to generate on average 1,440 MWhr and 652 MWhr of renewable energy every year respectively, avoiding approximately 1,224 tonnes¹ of carbon emissions per year, which is equivalent to growing 20,239 tree seedlings for 10 years or removing 264 vehicles from the road².

Through this program, KHCS is expected to enjoy cost savings on electricity for the next 25 years from both rooftop solar PV systems without incurring any capital investment and operation cost, which both will be borne by the solar suppliers. KHCS will be charged only for the solar energy generated as recorded by the energy meters on monthly basis by the solar supplier at a fixed tariff, which currently is lower than the prevailing effective TNB peak tariff.

Both rooftop solar PV systems were successfully awarded with public generating license from the Suruhanjaya Tenaga (ST) for energisation and exporting the excess power to the grid. The rooftop solar PV system at KHCS Plant 1 was energised on 5 January 2023 and commissioned on 22 February 2023. In contrast, the rooftop solar PV system at KHCS Plant 2 was energised on 15 February 2023 and commissioned on 23 March 2023.

Both rooftop solar PV systems now are in operation phase. Upon expiry of the SPPAs, the assets will be transferred to KHCS and all the savings will be fully enjoyed by the Company.

¹ Based on 2017 Baseline CO₂ for Peninsular Malaysia's grid carbon emission factor (source: MGTC)

² Based on US EPA's GHG Calculator at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results>

SUSTAINABILITY STATEMENT (CONT'D)



Figure 1: Rooftop solar PV system at Plant 1



Figure 2: Meter and Breaker Panel, Inverter Station and Fault Current Limiting Reactor (FCLR) at KHCS Plant 1



Figure 3: Rooftop solar PV installed at KHCS Plant 2



Figure 4 : Meter and Breaker Panel and Inverter Station at Plant 2

The carbon emission avoidance as tabulated below:

	Solar Generation		Carbon emission avoidance	
	MWhr/mth	MWhr/Year	Tonnes/mth	Tonnes/Year
Plant 1	120.0	1,440	70.2	842
Plant 2	54.3	652	31.8	382
Total	174.3	2,092	102.0	1,224

Note: Factor used for Malaysia is 0.585/kgCO₂/kWh

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.

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.

SUSTAINABILITY STATEMENT (CONT'D)

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 is 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

In the production of our tiles, we recycle a certain percentage of the raw materials. Crushing process is in place to enable reuse of reject tiles. Green tiles and powder of reject products manufactured are gathered and recycled in the manufacturing process.

We wrap our products in the thinnest plastic we can possibly find as packing materials. With our return policy, we are able to use lesser wooden crates.

In order to achieve sustainable manufacturing, Kim Hin Group does everything in its capability to conserve energy and natural resources, to be commercially viable, and to give our employees a secure and healthy work environment. Our effort includes the following actions:

1. Ensure our firing operations use the cleanest fuel possible.
2. Recycle all the green and fired products we have discarded.
3. Constant development to cut down on waste.
4. Protect the environment by honing technological abilities in making thinner tiles with faster firing cycles.
5. Repurpose thermal energy.
6. Harvest rain water for production use, and maximise the recycling of the water used in the production process.
7. Strict raw material selection to guarantee no toxic substances is used in our manufacturing environment and no pollutants are released over the life cycle of our finished products.

LABOUR PRACTICES AND STANDARDS

Human Rights and Practices

Kim Hin Group is committed to uphold good labour practices and ensure the rights of our employees are protected at all times, adhering to the relevant laws and regulations. We are against any form of child labour and modern slavery, including forced labour, debt bondage or human trafficking.

Diversity and Equal Opportunity

Kim Hin Group promotes diversity and equal opportunity at the workplace. We value a work environment where our employees' differences are valued and respected. We prohibit sexual or any other kind of discrimination, harassment, intimidation or defamation of character including discrimination towards race, religion, age, gender, disabilities or nationality.

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.

Malaysian New Minimum Wage Order 2022

Kim Hin Group is fully committed to comply with the Malaysian Government's new minimum wage policy, which was effective on 1 May 2022, to assist the employees to meet the increasing living standards. The Order increases the minimum monthly wage of employees to RM1,500.

SUSTAINABILITY STATEMENT (CONT'D)

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.

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 or forced labour or labour acquired through human trafficking or indentured labour, forced prison labour or slave labour.



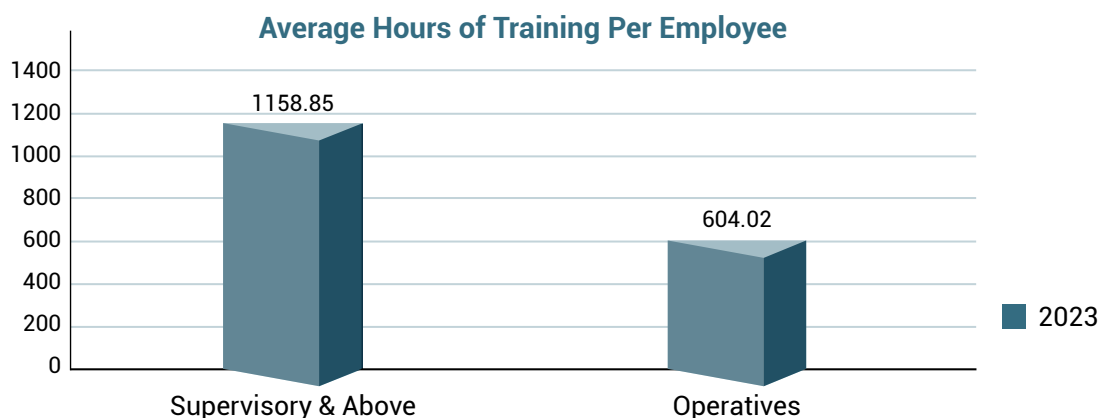
SOCIAL

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, annual 'back-to-school' tokens for employees' children and birthday tokens to employees. Training is given to the employees to develop and enhance the employee's capability and competency development. In addition, our company welcomes institutional students' study tour visits and offers student internship programmes. It is our hope that with these activities, they would assist towards sustaining the workforce in particular, and the company as a whole.

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.

Training and Development of Kim Hin Group in Malaysia for 2023



Average hours of training per employee for Supervisory and above category and Operatives Category

Kim Hin Group is dedicated to develop a competent and skilled workforce through various ongoing strategic human capital development programmes. This initiative is undertaken to attract, develop and retain personnel to be suited for the company and future career development.

SUSTAINABILITY STATEMENT (CONT'D)

Employee Training and Development

Kim Hin Group believes human capital development brings important value to every organisation. In attracting and retaining talents within the Group, every employee will have the opportunity to upgrade their skills and knowledge through training and development sessions which are carried out internally and externally. We strive to create an amiable workplace for employees with a sense of working together to achieve our vision and mission.



Course For Certified Environmental Professional in Schedule Waste Management (CePSWaM).

Anti-Bribery and Anti-Corruption training



Forklift Truck Safe Handling



HEALTH AND SAFETY

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.

Fire Drill with BOMBA training in Kim Hin Kuching and Seremban Branches.



First Aid At Workplace in Kim Hin Ceramic (Seremban) Sdn. Bhd.



SUSTAINABILITY STATEMENT (CONT'D)

Environmental, Health & Safety

Kim Hin Group places high priority on environmental, health and safety issues at the workplace. We articulate our commitment to minimise the environmental impact of our activities and to protect the safety and health of our employees. Related environmental, safety and health training and development programs are also conducted annually to keep abreast with current relevant regulatory requirements and to equip employees with competencies and skills necessary to execute their tasks.

The details of safety and health trainings in 2023 for Kuching Headquarters.

Date	Types of trainings/courses	No. of participants
13 -14.01.2023	Seminar on risk Management Technique 2023	2
06 -10.03.2023	Course for Certified Environmental Professional In Scheduled Waste Management	2
16 -17.03.2023	Basic First Aid and CPR	15
15 -16.06.2023	Basic First Aid and CPR	9
30.06.2023	Fire Drill Briefing and Training Report For Worker's Dormitory	11
18.10.2023	Fire Drill with BOMBA	577
	Total	616

The details of safety and health trainings in 2022 for Kuching Headquarters.

Date	Types of trainings/courses	No. of participants
05.01.2022	Audiometric Testing	100
13.05.2022	Chemical Exposure Monitoring	10
06-07.07.2022	Safe Chemical Handling & Spillage Management	2
01-02.09.2022	Understanding of ISO:9001:2015 Training	20
30.09.2022	Security and Threat in Supply Chain (Based on CTPAT Program) Training	20
26-27.10.2022	Hazard Identification, Risk Assessment, and Risk Control Training	2
04.11.2022	Chemical Health Risk Assessment	10
10-11.11.2022	Risk & Opportunities Assessment Workshop	38
28.11.2022	Public Training Confirmation on Practical Environmental Aspect Determination (Based on ISO 14001:2015) Training	2
16.12.2022	Fire Hydrant Testing and Exercise	10
	Total	214

SUSTAINABILITY STATEMENT (CONT'D)

The details of accident incidents and lost days:

Types	2023	2022
Fatalities	0 incident	0 incident
Injuries	0 incidents	3 incidents
Lost time injuries	0 days	38 days

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 of Kim Hin Group in Malaysia for 2023

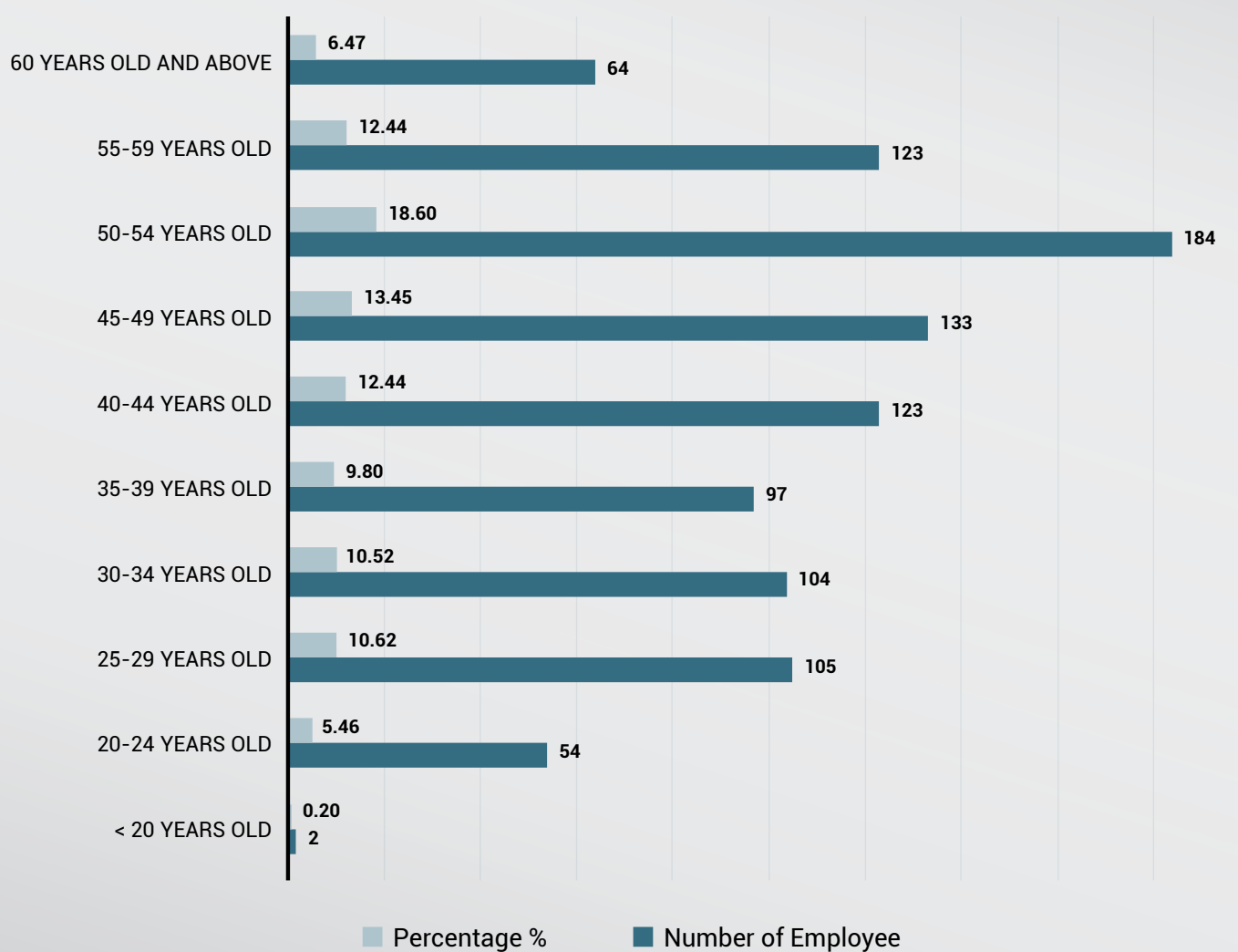
Ethnicity	Management	Non-Management	Total Number of Employee	Ethnicity Percentage (%)
	2023	2023	2023	2023
Bumiputera	78	607	685	69.26%
Chinese	112	98	210	21.23%
Indian	6	25	31	3.13%
Non- Malaysian	2	61	63	6.38%
Total	198	791	989	100.00%

SUSTAINABILITY STATEMENT (CONT'D)

Gender	Management	Non-Management	Total Number of Employee	Gender Percentage (%)
	2023	2023	2023	2023
Male	101	579	680	68.76%
Female	97	212	309	31.24%
Total	198	791	989	100.00%

The diagram below shows the workforce diversity of Kim Hin Group in Malaysia for 2023

WORKFORCE DIVERSITY FOR 2023



SUSTAINABILITY STATEMENT (CONT'D)

COMMUNITY AND SOCIETY

Our Commitment to The Society

Kim Hin Group's Corporate Social Responsibility (CSR) projects focused on supporting the needs of various community groups such as those less fortunate, educational institutions, health industry and our own staff.



Visit by students and lecturers from Faculty of Engineering and Technology, iCATS University College.



Christmas celebration.

Community Contributions and Development

In continuing our commitment to uphold the interest of our stakeholders in the workplace, Kim Hin Group believes the importance of giving back to the community through our various Corporate Social Responsibility (CSR) programmes:-



Visit by students and lecturers from School of Built Environment, University of Technology (UTS) Sarawak.



Participation in Sarawak Career & Training (SCAT) Fair 2023.



Visit by students and lecturers from Engineering Programme, Swinburne University of Technology Sarawak.



Kim Hin Social, Welfare and Recreation Club (Kingres Club) Donation to PIBAKAT.



Donation to Sarawak Cheshire Home

SUSTAINABILITY STATEMENT (CONT'D)

ASSURANCE STATEMENT

Pursuant to Section 9 of the Capital Markets and Service Act 2007 (CMSA), Bursa Malaysia Securities Berhad has amended the Main Market Listing Requirements to enhance the Sustainability reporting framework with the aim to elevate the sustainability practices and disclosures of listed issuers (Enhanced Sustainability Disclosures).

This report has not been subjected to independent assurance in accordance with recognised standards and may contain opinions, external referenced information, and unaudited non-financial data.

The contents of this Sustainability Statement have been reviewed by the Board, and Audit Committee, for consistencies, reasonableness, and compliance. Their review, however does not constitute as an assurance for investors or investment decisions. Whilst efforts were made to ensure these are reasonable at the time extracted, the actual or future outcomes may differ.

The Sustainability Table provided herein originates from the Bursa Malaysia ESG Reporting Platform, adhering to the stipulated enhanced sustainability reporting criteria as outlined in the Main Market Listing Requirements:

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM

Indicator	Measurement Unit	2023
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Executive	Percentage	67.14
Non-executive	Percentage	25.22
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	40.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	36,310.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	120
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management Under 20	Percentage	0.00
Management Between 20-24	Percentage	1.83
Management Between 25-29	Percentage	6.85
Management Between 30-34	Percentage	11.40
Management Between 35-39	Percentage	10.50
Management Between 40-44	Percentage	12.79
Management Between 45-49	Percentage	9.59
Management Between 50-54	Percentage	21.92
Management Between 55-59	Percentage	16.44
Management 60 and Above	Percentage	8.68
Non-management Under 20	Percentage	0.21
Non-management Between 20-24	Percentage	5.97
Non-management Between 25-29	Percentage	9.77
Non-management Between 30-34	Percentage	9.67
Non-management Between 35-39	Percentage	13.27
Non-management Between 40-44	Percentage	12.55
Non-management Between 45-49	Percentage	15.84
Non-management Between 50-54	Percentage	15.95
Non-management Between 55-59	Percentage	11.32
Non-management 60 and Above	Percentage	5.45

SUSTAINABILITY STATEMENT (CONT'D)


PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM

Indicator	Measurement Unit	2023
Gender Group by Employee Category		
Management Male	Percentage	52.51
Management Female	Percentage	47.49
Non-management Male	Percentage	71.30
Non-management Female	Percentage	28.70
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	75.00
Female	Percentage	25.00
Under 30	Percentage	0.00
Between 30-50	Percentage	0.00
Above 50	Percentage	100.00
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	279,621.57
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	9.15
Bursa C5(c) Number of employees trained on health and safety standards	Number	1,012
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Executive	Hours	3,153
Non-executive	Hours	5,167
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	7.00
Bursa C6(c) Total number of employee turnover by employee category		
Executive	Number	65
Non-executive	Number	142
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	88.24
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	203.211000

PROFILE OF DIRECTORS

CHUA SENG HUAT

Executive Chairman

 63 years of age

 Malaysian

 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 2023.

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

 66 years of age

 Malaysian

 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 all of the five (5) Board Meetings held during the financial year ended 31 December 2023.

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

 66 years of age

 Malaysian

 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 2023.

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

 62 years of age

 Malaysian

 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 2023.

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

 61 years of age

 Malaysian

 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 2023.

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.

DATO SIM KHENG BOON

Independent Non-Executive Director

 69 years of age

 Malaysian

 Male

Dato Sim Kheng Boon holds a Bachelor of Commerce Degree (Honours) majoring in accounting from University of Windsor, Canada. He has more than 30 years of investment banking experience involved in public listing of companies, fund raising exercises, merger and acquisition activities.

He was appointed as the first CEO of Development Bank of Sarawak from 2017 to 2022 during its formative years.

He joined Kim Hin Industry Bhd as Independent Non-Executive Director on 25 May 2023 and appointed as the Chairman of both Remuneration & Nomination Committee. He is also a member of the Audit Committee, and the Risk Committee of the Company.

Dato Sim attended all the two (2) Board Meetings held during the financial year ended 31 December 2023 since he was appointed on 25 May 2023.

At present, Dato Sim serves as the Independent Non-Executive Director of Zecon Berhad and CCK Consolidated Holdings Berhad.

PROFILE OF DIRECTORS (CONT'D)

KHO SOON KHENG

Independent Non-Executive Director

 63 years of age

 Malaysian

 Male

Mr. Kho Soon Kheng started his career with Ernst & Young, an international accounting firm and has over 15 years of professional experience in audit, tax, corporate assurance and recovery, mergers and acquisitions, initial public offerings, receivers and managers, corporate restructuring for both local and international, private and public listed corporations across diversified industries.

Mr Kho joined Malaysian International Merchant Bankers Berhad in 1996 as corporate finance manager and actively involved in banking, corporate finance and Malaysian capital markets.

In 1998, he was employed as the group financial controller and company secretary for a local and foreign owned group of companies involved in the manufacturing of metal-based products.

In 2003, he joined OMG Electronic Chemicals (M) Sdn Bhd, a wholly owned subsidiary of OM Group Inc, USA, a public corporation listed on the NYSE. The principal activities include research and development, manufacturing of high technology specialty chemicals for the electrical and electronic industries. As chief financial officer, he was responsible for strategy and planning, business development, corporate governance, information technology, risk management, human resources, internal controls and compliance. Trained in USA as an SAP project manager and administrator.

He completed the compliance requirement training on Sarbanes Oxley Act of the United States of America re-financial reporting and corporate governance and also code of conducts with regards to anti-bribery and anti-corruption laws and regulations.

He has also completed the International Standards for Organization (ISO) training and has successfully established various policies and procedures for compliance with Standards particularly in areas of quality management and environmental management.

Mr. Kho acted as Group's resources in providing financial and business management services, particularly in areas of business acquisitions and mergers, international taxation, supply chain management, business continuity, change management, risk and contingency and disaster recovery management as well as information technology support to various global operations.


He also possessed over 25 years' experience with active involvements in non-profit charitable organizations works and activities.

Mr. Kho Soon Kheng was appointed as an Independent Non-Executive Director on 25 May 2023. Mr. Kho is the Chairman of the Audit Committee. He is also a member of the Nomination Committee and the Risk Committee.

Mr. Kho attended all the two (2) Board Meetings held during the financial year ending 31 December 2023 since he was appointed on 25 May 2023.

YONG LIN LIN

Independent Non-Executive Director

 64 years of age

 Malaysian

 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 is also a member of Remuneration Committee.

He attended all of the five (5) Board Meetings held during the financial year ended 31 December 2023.





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

ANG PEK LAY

General Manager
Kimgres Marketing Sdn Bhd

-  60 years of age
-  Malaysian
-  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:

- Worked in H&R Johnson for 3 years (1989-1992)
- Joined Kimgres Marketing Sdn Bhd since 1993

PETER CHIAM TAU MIEN

Chief Financial Officer
Kim Hin Industry Berhad

-  52 years of age
-  Malaysian
-  Male
-  Date of Appointment 1 January 2014

Academic / professional qualification(s):

- Chartered Accountant (Malaysia)
- Fellow of Association of Chartered Certified Accountants ("ACCA") (UK)




Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:

- He started his career with Ernst & Young, Kuching in 1995 and has about 10 years of professional experience in accounting, assurance and advisory business services, taxation and corporate advisory services.
- Joined Kim Hin Industry Berhad as Group Finance Manager on 1 August 2005.

CHUA BAN CHOON @ CHUA CHUI KIM

Director & General Manager
Kim Hin Ceramics (Shanghai) Co. Ltd.

-  70 years of age
-  Malaysian
-  Male
-  Date of Appointment 1995

Family relationship with any director and/or major shareholder:

- He is the uncle of the Executive Directors*





Present Directorship:
Listed entity: Nil
Other public companies: Nil

Working experience:

- Has wide experience in the ceramic tiles industry and received his training with several large ceramic manufacturing companies in Taiwan.
- Joined Kim Hin Industry Berhad in 1974.

WINNIE HO

Personal Assistant to Group Managing Director,
Kim Hin Industry Berhad

-  57 years of age
-  Malaysian
-  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:





- Started as a legal clerk in an advocate firm in 1986. Moved on to a management consultancy firm in 1992 as a secretary.
- Joined Kim Hin Industry Berhad in April 2000.

PARTICULARS OF KEY SENIOR MANAGEMENT (CONT'D)

CAI CHUN HUI

Vice General Manager

Kim Hin Ceramics (Shanghai) Co. Ltd.

-  55 years of age
-  Chinese
-  Female
-  Date of Appointment 1995

Academic / professional qualification(s):

- University graduate

Family relationship with any director and/or major shareholder:

- She is the cousin of the Executive Directors*

Present Directorship:

Listed entity: Nil

Other public companies: Nil





Working experience:

- Has 30 years of experience in the ceramic tiles industry

CHARLINE PAN LING HWEN

Director and Chief Executive Officer

Johnson Tiles Pty Ltd

-  34 years of age
-  Malaysian
-  Female
-  Date of Appointment 2016

Academic / professional qualification(s):

- Bachelor of Commerce (Accounting & Finance)
- Certified Public Accountants (Australia)

Family relationship with any director and/or major shareholder:

- She is the daughter of Mdm. Pauline Getrude Chua Hui Lin

Present Directorship:

Listed entity: Nil

Other public companies: Nil

Working experience:




- Has joined Kingres Australia Pty Ltd ("KA") since 2012
- Appointed as CEO/General Manager of KA in 2013
- Appointed as CEO of Johnson Tiles Pty Ltd in 2016

Cr STEPHEN ANG TECK CHAI

PBK, ABS,

Head of Corporate Affairs

Kim Hin Industry Berhad

-  52 years of age
-  Malaysian
-  Male
-  Date of Appointment 2014

Academic / professional qualification(s):

- Diploma in Business Industrial Administration
- Councillor, Padawan Municipal Council (2016 - present)
- Secretary General, Sarawak Manufacturers Association (2022 - present)

Present Directorship:

Listed entity: Nil

Other public companies: Nil

Working experience:

- Joined Ceramica Indah Sdn. Bhd. in 1993.

1. 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.
2. 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 2023.

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 2023 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young PLT & its affiliates		
• Statutory Audit	184	599
• Non-audit services including tax services	11	142
Fees paid/payable to other auditors		
• Statutory Audit	-	220
• Non-audit services including tax services	-	-
Total	195	961

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 32 of the Audited Financial Statement on pages 135 and 136 for the breakdown of the aggregate value of Recurrent Related Party Transactions conducted during the financial year ended 31 December 2023 pursuant to the Shareholders' mandate.



FINANCIAL HIGHLIGHTS

REVENUE

(RM'000)

310,122

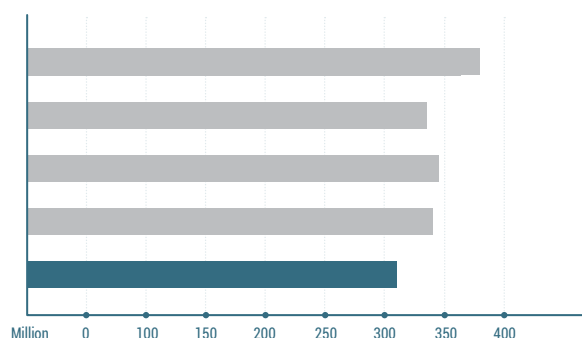
2019 >> 378,588

2020 >> 336,662

2021 >> 344,088

2022 >> 339,988

2023 >> 310,122



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

(RM Million)

297

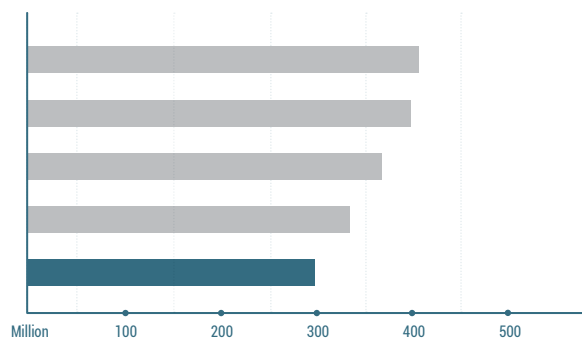
2019 >> 406

2020 >> 397

2021 >> 368

2022 >> 334

2023 >> 297



LOSS NET OF TAX

(RM Million)

-40

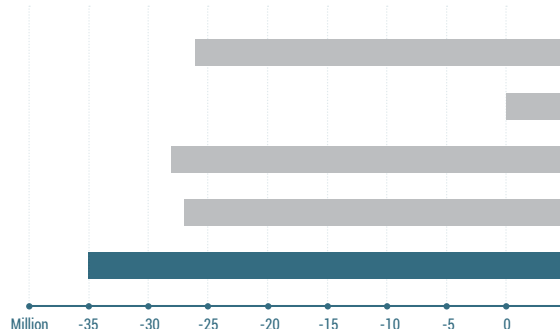
2019 >> -31

2020 >> -5

2021 >> -33

2022 >> -32

2023 >> -40



LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)

-27

2019 >> -23

2020 >> -7

2021 >> -24

2022 >> -23

2023 >> -27

