

2024

ANNUAL REPORT



KIM HIN INDUSTRY BERHAD

Registration No.: 197301003569 (18203-V)

VISION

To be a world class ceramic tile producer and distributor by providing products and services of superior value 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-Second Annual General Meeting ("52nd 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, 29 May 2025 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 2024 together with the Reports of the Directors and Auditors thereon. **[Please refer to Explanatory Note No. 1]**
2. To re-elect the following Directors who shall retire by rotation pursuant to Clause 118 of the Company's Constitution and, being eligible, offer themselves for re-election:
 - (i) Mr. Chua Seng Huat; and **(Ordinary Resolution 1)**
 - (ii) Mr. Chua Seng Guan **(Ordinary Resolution 2)**
3. To re-elect the following Director who shall retire pursuant to Clause 117 of the Company's Constitution and, being eligible, offer himself for re-election:
 - (i) Mr. Aw Tai Hui **(Ordinary Resolution 3)**
4. To approve the payment of directors' fees and directors' meeting allowances for the period from 1 January 2025 to the next AGM. **(Ordinary Resolution 4)**
5. 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 5)**

As Special Business

To consider and, if thought fit, to pass the following ordinary resolutions:

6. **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 6)**

"**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."

7. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Shareholders' Mandate")** **(Ordinary Resolution 7)**

"**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 2025 ("Circular"), with the specific related parties mentioned therein subject further to the followings:

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 2025 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."

8. 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 2025

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, Agenda 1 will not be put forward for voting.

2) 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.

Ordinary Resolutions 1 to 3:

The Board of Directors through the Nomination Committee, assessed the retiring Directors, namely Mr. Chua Seng Huat and Mr. Chua Seng Guan who retire pursuant to Clause 118, and Mr. Aw Tai Hui who retires 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 Malaysia Securities Berhad 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 Resolution 4 – Directors' fees and meeting allowances

Section 230(1) of the Companies Act 2016 provides that the fees of Directors, allowances 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 period from 1 January 2025 to the next AGM	RM 450,000
(b) Directors' meeting allowances for the period from 1 January 2025 to the next AGM	RM 36,000
	<hr/>
	RM 486,000

The details of the Directors' remuneration for the financial year ended 31 December 2024, are as disclosed in the Corporate Governance Report for the financial year ended 31 December 2024.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Special Business:

4) Ordinary Resolution 6 – 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 6, if passed,

- will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares to such persons in their absolute discretion without convening a general meeting provided the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
- 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 51st Annual General Meeting and which will lapse at the conclusion of the 52nd 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 7- 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 7, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in Section 3.2 of the Circular dated 30 April 2025 ("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 22 May 2025 be regarded as Members and shall be entitled to attend, speak and vote at the 52nd 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 4½ 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, 29 May 2025.

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)

AW TAI HUI
(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 Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

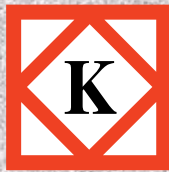
STOCK NAME

KIMHIN

STOCK CODE

5371

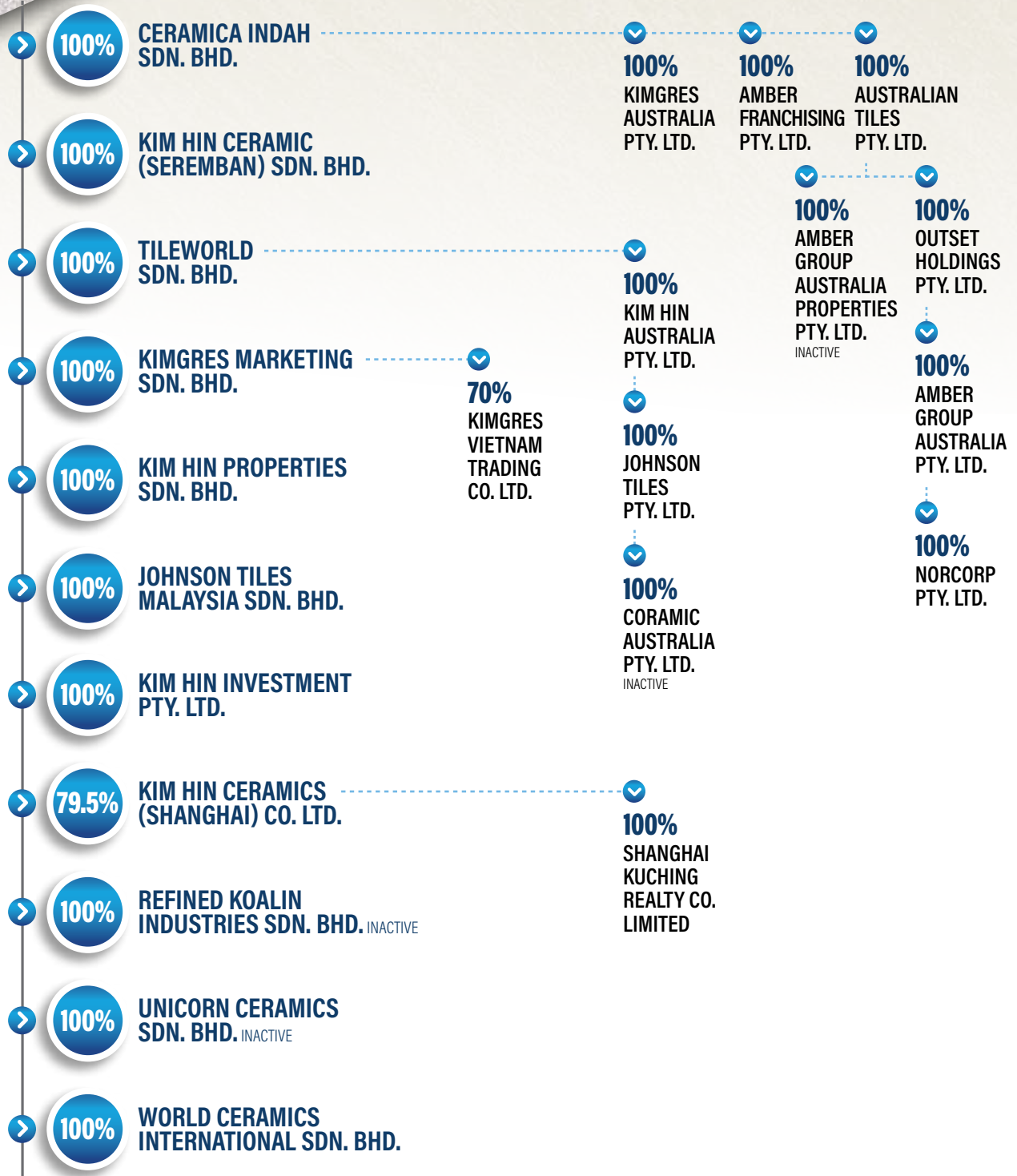
Go paperless to help our environment.
This Annual Report is available at our website
<https://www.kimhin.com.my/annual-reports>



KIM HIN INDUSTRY BERHAD

Registration No.:
197301003569 (18203-V)

GROUP CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board") of Kim Hin Industry Berhad, it is my privilege to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2024.

ECONOMIC AND INDUSTRY OVERVIEW

In 2024, the Malaysian economy exhibited resilience, underpinned by robust domestic demand and a rebound in global trade, which grew from 0.4% in 2023 to 3.3%, as estimated by the International Monetary Fund (IMF). This recovery supported export-oriented industries, including the ceramic tile sector. Domestically, sustained consumer spending and ongoing public and private sector investments, particularly in infrastructure and real estate, drove economic activity.

However, the operating environment remained challenging. Soft property market conditions persisted in key markets such as Australia, due to high borrowing costs, and China, where real estate demand remained subdued. Vietnam showed signs of recovery, though momentum was limited. Additionally, inflationary pressures, elevated logistic costs, geopolitical uncertainties, and fluctuating commodity prices required strategic agility and disciplined cost management.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2024, the Group recorded revenue of RM311.3 million, a marginal increase of 0.4% from RM310.1 million in 2023, driven primarily by improved performance in the Malaysia segment. However, other geographical segments continued to face challenges due to subdued property market conditions.

The Group reported a loss before tax of RM27.1 million in 2024, a significant improvement from the RM40.0 million loss before tax in the previous year. The reduction was largely attributable to the successful turnaround of the Group's China operations. Following the cessation of manufacturing activities in Shanghai in January 2024, the Shanghai operations shifted to outsourced products, achieving a profit before tax of RM3.2 million in 2024, compared to a loss before tax of RM13.5 million in 2023.

It is worth noting that the Group's 2023 financial results were impacted by a one-off termination payment of RM5.3 million and an impairment and write-off of RM5.9 million related to the Shanghai's plant and machinery.

Further details on the Group's financial performance are provided in the Management Discussion and Analysis section.

DIVIDEND

After careful deliberation, the Board has decided not to recommend a dividend for the financial year ended 31 December 2024. This decision reflects our commitment to preserving capital for future growth initiatives and strengthening the Group's financial resilience amid ongoing market uncertainties.

STRATEGIC INITIATIVES AND OUTLOOKS

In 2024, the Group focused on enhancing operational efficiency, product innovation, and market diversification to bolster competitiveness. Key initiatives included:

- **Cost Optimisation:**
Implementing rigorous cost control measures to mitigate inflationary pressures and improve margins.
- **Product Innovation:**
Refining our product portfolio to align with evolving consumer preferences and market demands, particularly in the ceramic tile sector.
- **Geographical Diversification:**
Exploring opportunities in emerging markets while consolidating our presence in core regions such as Malaysia, Australia and Vietnam.

CHAIRMAN'S STATEMENT (CONT'D)

Looking ahead to 2025, tariffs rhetorics have escalated significantly and global environment has become much more uncertain. Nevertheless, governments are taking steps to minimize the fallout while cyclical and structural factors remain supportive of global growth.

Malaysia growth outlook in 2025 to be reviewed but domestic factors remain supportive. Anticipated improvements in global trade and stabilising interest rates are expected to support gradual recovery in the property and construction sectors of the Group's other geographical segments. However, risks such as geopolitical uncertainty, supply chain disruptions, and volatile raw material costs necessitate continued vigilance.

The Group is well-positioned to capitalized on emerging opportunities by leveraging its operational resilience, strategic foresight, and commitment to sustainable practices.

APPRECIATION

I extend my deepest gratitude to our shareholders for their unwavering trust and support, which remain the cornerstone of our long-term vision. My sincere appreciation also goes to our Board members for their strategic guidance, and to our dedicated management team and employees for their resilience and commitment to excellence.

Together, we will continue to uphold the values of integrity, innovation, and sustainability, driving Kim Hin Industry Berhad towards a stronger and more prosperous future.

Thank you.

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 and 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 2024.

The MD&A should be read together with the Group's audited financial statements for the financial year ended 31 December 2024.

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 monoporosa 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 Kingres, 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, which has ceased manufacturing activity in January 2024. The marketing network of Kim Hin Group comprises sales offices situated in major cities of Malaysia (Kuala Lumpur, Kuching, Kota Kinabalu, Petaling Jaya, Johor Bharu, Ipoh and Penang), Australia (Melbourne, Sydney, Brisbane 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-seven (27) stores located in New South Wales, Queensland, and the Australian Capital Territory.

The Group exports about 20% of its production from the Malaysia plants to overseas, mainly Australia, Middle East, Taiwan and Pakistan while its Shanghai plant exports almost all of its products.

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 December 2022 and April 2023 respectively. In addition, our manufactured products of the Shanghai operations is under governance of compulsory product certification issued by China Quality Certification Centre.

The Group's Malaysian operations have 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 made significant investments 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

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000
Financial					
Revenue	336,662	344,088	339,988	310,122	311,250
Profit/(loss) before interest and tax	5,073	(27,849)	(30,819)	(37,598)	(25,040)
Finance costs	1,903	1,995	2,315	2,446	2,029
Net loss after tax	(5,292)	(32,553)	(32,398)	(40,127)	(28,193)
Shareholders' equity	396,521	367,643	333,921	297,361	267,383
Total assets	557,972	536,528	487,291	435,115	379,895
Borrowings	21,960	23,652	22,839	18,202	11,305
Borrowings/Equity (%)	5.54	6.43	6.84	6.12	4.23
Loss per share (sen)	(7.42)	(23.21)	(23.11)	(26.54)	(20.83)
Net assets per share (RM)	2.83	2.62	2.38	2.12	1.91
Dividend per share (sen)	2.00	2.00	-	-	-
Share					
Year high (RM)	1.07	1.00	0.870	0.61	0.610
Year low (RM)	0.64	0.73	0.555	0.42	0.430
Year close (RM)	0.81	0.87	0.585	0.55	0.505
Market capitalization as at year end (RM'000)	113,594	122,008	82,040	77,131	70,821

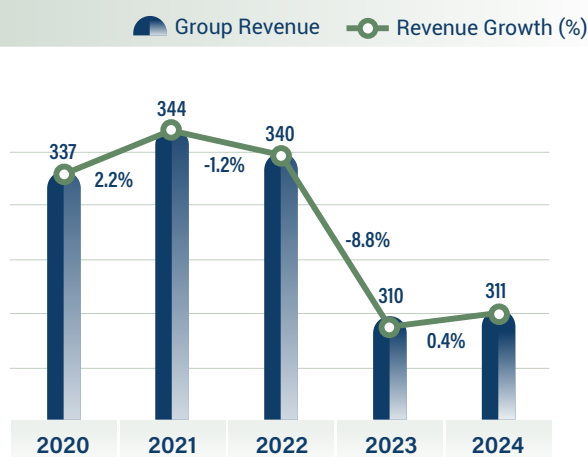
Review of Financial Results and Financial Conditions

Revenue

The Group registered a revenue of RM 311 million for the current financial year comparable to revenue of RM 310 million recorded in the preceding financial year. Except for the Malaysian segments, there was a decline in revenue for all overseas segments of the Group due mainly to the soften market conditions amidst the uncertain and challenging global economy.

The revenue for the Group's Malaysia segment grew by 4%, while the Group's overseas operations registered a 3.3% decline in revenue. Nevertheless, the Kim Hin's overseas operations contributed about 48% (2023: 50%) of the Group's revenue for the current financial year under review.

Group Revenue (RM million)



Revenue by Segment (RM million)



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Profit Before Tax

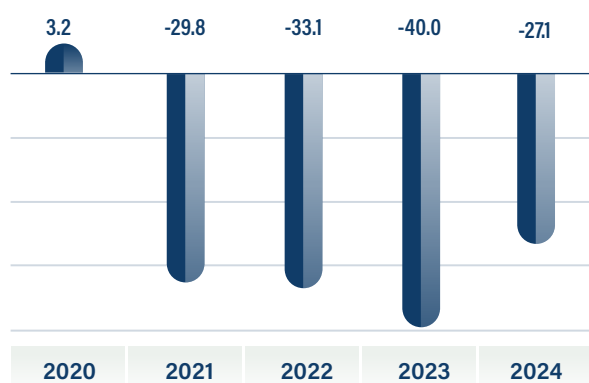
The Group incurred a loss before tax of RM27.1 million for the current financial year, compared to a loss of RM40.0 million recorded in the previous financial year. This is mainly due to lower impairment loss on the Group's non-current assets amounting to RM6.9 million (2023: RM14.7 million) and a net reversal of inventories write down of RM0.5 million (2023: write down of RM1.2 million) during the current financial year. The Group continues to reassess the market conditions and its operation performance, in light of the continued losses.

Operating expenses (excluding cost of sales and impairment loss on assets) of the Group increased to RM125.5 million (2023: RM115.3 million) during the financial year. The increase was mainly due to higher selling and distribution expenses.

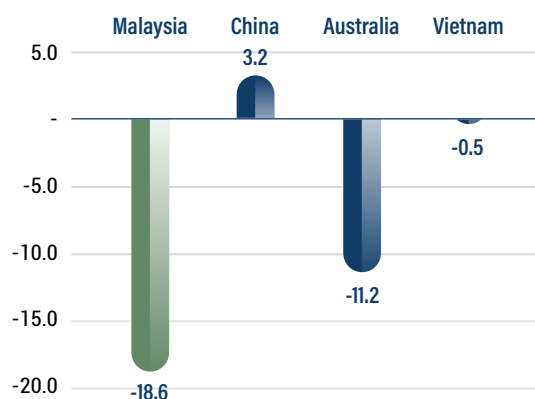
Total finance costs, including interest on lease liabilities recognised in accordance with MFRS 16 Leases, increased marginally from RM2.0 million to RM2.4 million.

The Group's income tax expense for the current financial year was RM1.12 million as compared to RM0.08 million recognised for the previous financial year. The higher effective tax rate of the Group was due to the non-applicability of group tax loss relief and the effect of non-deductible expenses for tax purposes.

Group PBT (RM million)

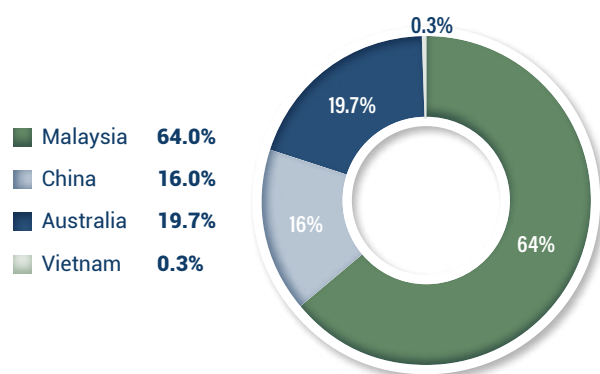


2024 Segmental Contributions

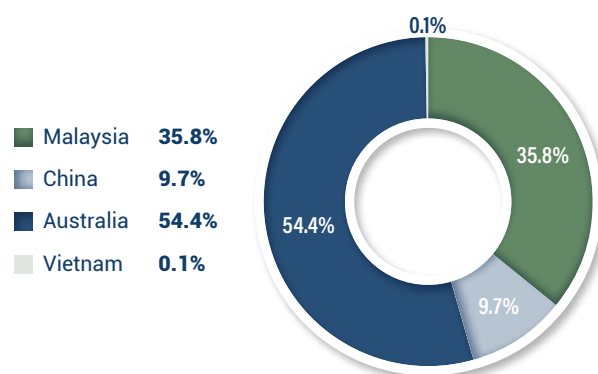


Distribution of Segmental Assets and Liabilities of the Group as at 31 December 2024

Segmental Assets (RM million)



Segmental Liabilities (RM million)



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Assets

Investment properties

The net carrying amount of its investment properties stood at RM33.2 million (2023: RM31.6 million) as at current financial year end, mainly due to depreciation and impairment during the year, and reclassification of certain properties which are no longer utilised for business operations but are now held for capital appreciation.

Right-of-use assets

	2024 RM'000	2023 RM'000
Leasehold land	31,224	35,910
Buildings (leased premises)	13,855	25,076
Others	250	380
Net carrying amount	45,329	61,366

The right-of-use assets include the Group's short term and long term leasehold land of RM31.2 million (2023: RM35.9 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 RM14.1 million (2023: RM 25.5 million).

Trade and Other Receivables

	2024 RM'000	2023 RM'000
Trade receivables	44,516	48,480
Trade deposits to suppliers	2,363	473
Other receivables	1,944	3,138
	48,823	52,091

The Group's collectible trade receivables as at the current financial year end has reduced by 8.2%. Expected credit losses on trade receivable (net) amounting to RM545,000 was provided (2023: net reversal of RM957,000) during the current financial year. The turnover of the Group's trade receivables has reduced to 52 days from 57 days recorded in the previous 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

	2024 RM'000	2023 RM'000
Finished goods	68,185	76,131
Raw materials, and work-in-progress	11,108	15,966
Packing materials, spare parts and sundry inventories	10,240	10,977
	89,533	103,074

The total finished goods stood at RM68.2 million (2023: RM76.1 million) at the end of the current financial year under review. The Group made an inventories write-back of RM0.5 million (2023: a net write-down of RM1.2 million) on its inventories during the financial year under review.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Liabilities

Trade and other payables

	2024 RM'000	2023 RM'000
Trade payables	42,043	40,517
Trade deposits from customers	2,078	3,884
Other payables	16,388	21,686
Accruals	3,335	3,066
	<u>63,844</u>	<u>69,153</u>

The Group's trade payables increased by 3.8% to RM 42.0 million from RM 40.5 million in the previous financial year.

Lease liabilities

	2024 RM'000	2023 RM'000
Current	7,655	10,383
Non-current	12,420	22,126
	<u>20,075</u>	<u>32,509</u>

These represent the present value of lease payments to be made over the lease term of 1.3 to 7.8 years by the Group. They are mainly lease contracts for property rented for the Group's operation.

Loans and borrowings

	2024 RM'000	2023 RM'000
Bank overdraft	123	645
Trade facilities (unsecured)	6,268	9,327
RM loans (secured)	4,633	6,892
AUD loans (secured)	-	909
Hire purchase	281	429
	<u>11,305</u>	<u>18,202</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 11.3 million (2023: RM 18.2 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 0.04 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 economic 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 escalation and uncertainties of the recent tariff rhetorics, 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 2025. The Board, however, is clear that the situation does not present a material 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 navigating the Group through several economic downturns and financial recessions.

The Group operates in four geographical segments and its manufacturing operations are located in Malaysia and People's Republic of China. Under the rationalisation exercise, the Shanghai subsidiary discontinued its manufacturing operations and focused mainly on outsourcing products and product development.

The Group continues to exercise prudence in its financial management. Cost-cutting measures are implemented including 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 56 million, as at the end of the financial year ended 31 December 2024.

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 times amid the persistence of weak property market as evidenced by the decline in revenue recorded during the financial year under review for its geographical operations, other than the Malaysian segment.

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 better utilisation of production capacity for the Group's 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 weaker 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 Pty. Ltd. It 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 and reduce 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 Dollar ("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 on-going 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:

Tariff and trade barriers which become more and more commonly in global trade. The recent imposition of baseline 10% tariff on all imports into the United States ("US"), as well as reciprocal tariffs relating to certain countries and industries have wide impact to varying degrees on US trading partners, including the Group.

Financial risks are considered low due to the minimal borrowings of the Group (4% of the shareholders' equity) and is mitigated by the Group's cash reserves. Although, the continuous losses incurred by the Group over the last few years has limited the flexibility of the Group in obtaining credit facilities from financial institutions, the Group has managed to obtain additional banking facilities for one of its Malaysian subsidiaries in April 2025. As at the reporting date, an Australian subsidiary did not meet two covenants requirements under the facility agreement although there was no actual payment default in the facility. The Australian subsidiary is following up with the financier regarding the covenant requirements. This may pose potential cash flow risks as the Group strikes 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 conducted corporate governance practices throughout the Group while performing their duties and fiduciary responsibilities in the interest of the company. The Board believes strong corporate governance is essential for ensuring sustainable long-term performance, driving economic value and growth for the Group, and also maximising 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 practice as set out in the **MCCG 2021** is disclosed in the Corporate Governance Report which is available at the Company's corporate website, www.kimhin.com.my.

1) BOARD'S LEADERSHIP AND EFFECTIVENESS

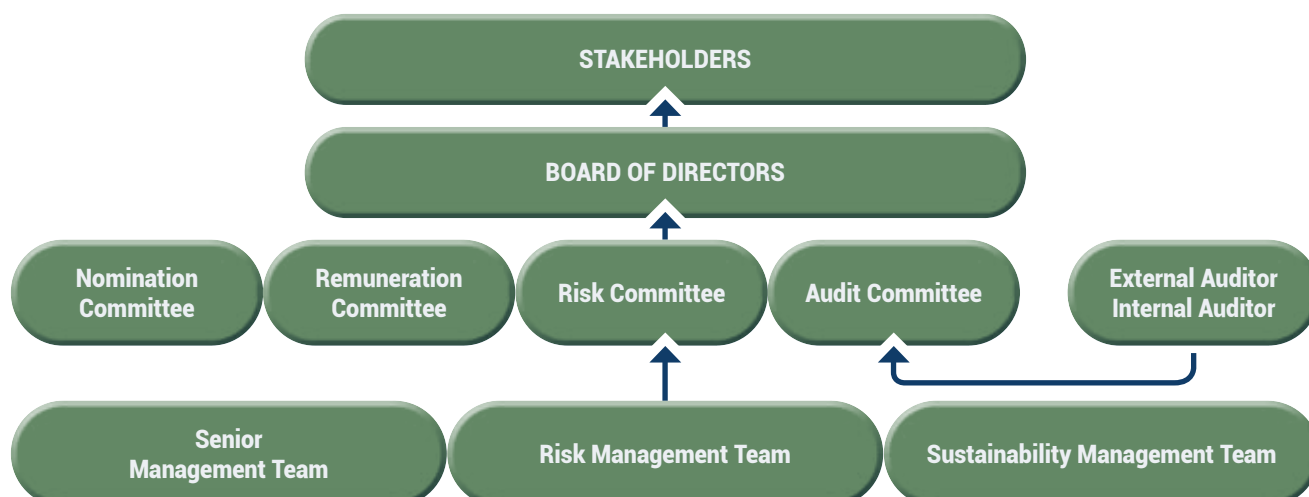
The Board of Directors

The Board as the Group leader, is responsible for developing and overseeing the Group's strategic plans and businesses directions and performance. The Board instills 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's 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 department 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's 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 and 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 Company and its subsidiaries;
- 5) Setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company;
- 6) Monitoring the implementation of strategic plans by management and the strategies plans on economic, environmental, safety and 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 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.

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 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 terms of reference 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.kimhim.com.my

Code of Conduct and Ethics

The Company's Code of Conduct and Ethics outlines the principles, policies and government rules and regulations that govern the Group's activities, including Section 17A of the MACC Act 2009 (Amendment 2018). Our employees are subject to a set of values and standards of conduct that are 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 periodically reviews and updates the Code of Conduct and Ethics, or as and when necessary, to ensure it remains current.

The Code of Conduct and Ethics is available at the Company's corporate website, www.kimhim.com.my

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Anti-Bribery and Anti-Corruption

The Company and its subsidiaries adopt zero-tolerance policy against all forms of bribery and corruption. Information pertaining to the governments' 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 is 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 of the MACC Act 2009 (Amendment 2018). The internal auditors conduct reviews on the status of the Group's compliance with Section 17A of the MACC Act 2009 (Amendment 2018).

Whistle Blowing policy

The Group has in place a Whistle Blowing Policy in 2014 with the objective of promoting and maintaining high standards 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 follows:

- 1) To guide the Board of Nomination Committee ("NC") and Remuneration Committee ("RC") 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 a person for a new appointment or re-appointment of Directors based on the criteria set under item 2 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 consists of eight members: The Executive Chairman, the Group Managing Director, the Group Executive Director, the Administrative Director, the Finance Director, and three (3) Independent Non-Executive Directors.

The Company always ensures 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 three (3) months.

The Independent Non-Executive Directors focus on board matters and do 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 2024

During the last Annual General Meeting held on 30 May 2024, the Independent Non-Executive Director, Mr. Yong Lin Lin, expressed his intention not to seek re-appointment upon his retirement pursuant to Clause 118 of the Company's Constitution.

Following the retirement of Mr. Yong Lin Lin, Mr. Aw Tai Hui was identified a suitable candidate to fill the vacancy of Independent Non-Executive Director of the Company. The Nomination Committee ("NC") completed the assessment of Mr. Aw in July 2024 and recommended his appointment for the Board's approval. The Board, satisfied with Mr. Aw's level of independence and his ability to act in the best interests of the Company, approved his appointment on 1 August 2024.

Mr. Aw who consented to act as the Independent Non-Executive Directors of the Company, has made the necessary declarations in compliance with Bursa Malaysia Main Market Listing Requirements and Section 201 of the Companies Act 2016. Mr. Aw is also appointed as a member of the Audit Committee, Remuneration Committee and Risk Committee of the Company.

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 twelve (12) 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 nine (9) years, but no more than twelve (12) years. All Independent Non-Executive Directors of the Company have served the Board for a period of less than nine (9) years.

Board and Senior Management

Appointment of Board and Senior Management are based on objective criteria, merit as well as 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 NC are as follows:

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

Each year, the NC 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.

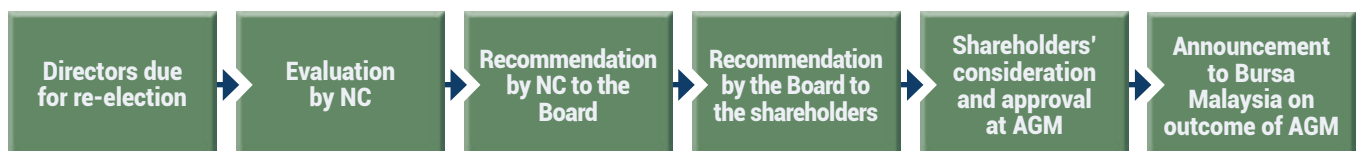
The objective of the assessment is to improve the Board's effectiveness, identify gaps, maximise strengths and address weaknesses of the Board. Self-assessment on the performance of the directors is used, and issues put forth for assessment are presented in a customised questionnaire. The Board oversees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

The criteria on which assessment of the Board's effectiveness are to be developed, maintained and reviewed by the NC. These include, inter alia, the Board's and Board Committees' composition, the Board's roles and responsibilities, and the Board's operations.

Given that the Chairman of the Nomination Committee serves as a confidant to the other directors, Dato Sim Kheng Boon, the Chairman of the NC, 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 it is available at the Company's corporate website – www.kimhin.com.my.

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 three Directors will have to retire by rotation at the 52nd AGM of the Company to be held on 29 May 2025. Based on the schedule of retirement by rotation, the Directors who are due for retirement at the 52nd AGM are:

- 1) Mr. Chua Seng Huat; and
- 2) Mr. Chua Seng Guan.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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. Mr. Aw Tai Hui, who was appointed during the year, is eligible for re-election pursuant to Clause 117 of the Company's Constitution at the forth coming annual general meeting.

Board Evaluation

The evaluations criteria performed by the NC for Board and Board Committee in year 2024 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
- 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 its recommendations for Board's approval 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 NC and noted 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board meets on a quarterly basis and additional meetings are convened when necessary. The Board met for a total of five (5) times during the financial year ended 31 December 2024 and their attendance details are as follows:

Directors	Attendance	Percentage of attendance
Chua Seng Huat	5/5	100%
Chua Seng Guan	5/5	100%
Dato' John Chua Seng Chai	4/5	80%
Pauline Getrude Chua Hui Lin	5/5	100%
Chua Yew Lin	5/5	100%
Dato Sim Kheng Boon	5/5	100%
Kho Soon Kheng	5/5	100%
Yong Lin Lin	3/3 (Date of Retirement : 30 May 2024)	100%
Aw Tai Hui	2/2 (Date of Appointment: 1 August 2024)	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 acquired with the necessary skills and knowledge to meet the challenges of the Board.

Based on Bursa Malaysia Main Market Listing Requirements, any director appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four months from the date of appointment. A director who is appointed on or after 1 August 2023 for the first time in a listed issuer must complete MAP Part II within eighteen months from the date of his/her appointment.

Mr. Aw Tai Hui, who was appointed as an Independent Non-Executive Director on 1 August 2024, completed the MAP Part I in October 2024. Mr. Aw shall attend the MAP Part II in June 2025.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 the Remuneration Committee); and
- 2) Mr. Aw Tai Hui (Member of the 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 for the remuneration (on a group basis) and directors' fee paid to the Directors of the Company for the financial year ended 31 December 2024 are available in the Corporate Governance Report for the financial year ended 31 December 2024.

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

● 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 the Audit Committee);
- 2) Dato Sim Kheng Boon (Member of the Audit Committee); and
- 3) Mr. Aw Tai Hui (Member of the 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.

Risk Committee

The Risk Committee is responsible for understanding and managing risk exposures and reporting to the Board of Directors on the effectiveness of risk management programs. The Company adopts 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 the Risk Committee);
- (2) Mr. Kho Soon Kheng (Member of the Risk Committee); and
- (3) Mr. Aw Tai Hui (Member of the Risk Committee).

The Risk Committee working through the Risk Manager, shall:

- Review and analyse the report received from the Sustainability Committee.
- Establish a Risk Committee framework and execute a regular risk assessment. The framework should provide a consistent approach to risk and facilitate an accurate perception of acceptable risk by all employees. The 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 Risk Committee's Terms of Reference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 cast.

CORPORATE GOVERNANCE KEY FOCUS AREAS AND FUTURE PRIORITIES

Key focus areas

The key focus areas of the governance practices of the Group for 2025 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 2024.

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. Aw Tai Hui (Member of the Audit Committee)
(Independent Non-Executive Director)

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

- 1) 23 February 2024
- 2) 5 April 2024
- 3) 29 May 2024
- 4) 26 August 2024
- 5) 25 November 2024

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

Name of Audit Committee member	Attendance	Percentage of attendance
Kho Soon Kheng	5/5	100%
Dato Sim Kheng Boon	5/5	100%
Yong Lin Lin (Date of retirement : 30 May 2024)	3/3	100%
Aw Tai Hui (Date of appointment : 1 August 2024)	2/2	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.

SUMMARY OF WORK

During the financial year ended 31 December 2024, the Audit Committee's work carried out in accordance with its terms of reference.

AUDIT COMMITTEE REPORT (CONT'D)

Financial Reporting

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

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

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

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

INTERNAL AUDIT

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

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

Scope of review

Operational reviews of the Group and major subsidiaries in Malaysia:

- recurrent related party transactions
- mechanical maintenance
- expenses management and purchasing
- compliance with Anti-Bribery and Anti-Corruption
- compliance with Personal Data Protection Act (PDPA, Act 709)
- ISO compliance in Mechanical Workshop
- security procedures
- Sales performance
- status of e-Invoicing 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 monitor of the status of implementation of action plans agreed by the management on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

AUDIT COMMITTEE REPORT (CONT'D)

External Audit

- a. Reviewed with the External Auditors:
 - their Audit Plan and scope of work for the year 2024; 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 two (2) independent meetings with the External Auditors on 5 April 2024 and 25 November 2024, 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 24 February 2025 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 16 April 2025 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 2025, 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 2024.

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 met twice in 2024 and was established 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 had continued to follow up, review and assessed the top ten risks identified during its most recent Enterprise Risk Assessment in 2023 for its operations in Kuching, Petaling Jaya and Seremban. The Group also reviewed, identified and assessed 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. Management is in the midst of looking into the Enterprise Risk Assessment refresher exercise for the upcoming financial year to re-assess the Group's risk profile.

Revenue, Inventory, Trade Receivables, Production and Foreign Exchange were identified as major risks and are monitored as Key Risk Indicators on a monthly basis. Controls were also identified and evaluated to mitigate the risks with risk owners assigned to manage these risks.

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

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

In addition, the Group has other key control processes in place for its control environment to further enhance its evaluation and managing processes for risk management and internal control:

- A formalised Board Charter, Code of Conducts 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, expenses management, mechanical maintenance, purchasing process, security procedures, review of compliance with Anti-Bribery and Anti-Corruption as well as Personal Data Protection Act (PDPA, Act 709), status of implementation for e-invoicing 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 2024 was in the region of RM50,000.

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 2024, 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 2025.