

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6211
COMPANY NAME : Kia Lim Berhad
FINANCIAL YEAR : 31 December 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board takes full responsibility for the overall performance of the Kia Lim Group and its obligations to the Company’s shareholders and stakeholders.</p> <p>Having recognised the importance of an effective and dynamic Board, the Board has adopted a Board Charter to ensure that all Board members are aware of the Board’s fiduciary and leadership functions.</p> <p>The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls.</p> <p>The Board has delegated specific responsibilities to the following committees (“Committees”):</p> <ul style="list-style-type: none"> ❖ Audit Committee ❖ Risk Management Committee ❖ Nomination Committee ❖ Remuneration Committee <p>The powers delegated to the Committees are set out in the Terms of Reference of each of the Committee as approved by the Board and are available on the Company’s website.</p> <p>Note: The Board Charter is published on the KLB website at www.kialim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Company is Mr Loh Chee Kan. The Chairman is primarily responsible for conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board discussion and shareholders are informed of the subject matters requiring their approval.</p> <p>The roles and responsibilities of the Chairman of the Board are set out in the Board Charter which is available on the Company's website at www.kialim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	The positions of Chairman and CEO are held by two different individuals and their roles and responsibilities are distinct as stated in the Board Charter, which is available on the Company's website at www.kialim.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>Ms Leong Siew Foong of Boardroom Corporate Services Sdn Bhd is the Company Secretary of the Company. She is a qualified Chartered Secretary and a member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>Ms Leong is responsible to advise the Directors on their fiduciary and statutory duties, ensure compliances with company law, the MMLR, the Company's Memorandum and Articles of Association, the MCCG, Board adopted policies, and other pertinent regulations governing the Company, and guide the Board towards the necessary compliances, as and when is necessary.</p> <p>She is also constantly keep herself abreast on matters concerning company law, the capital markets, corporate governance, and other pertinent matters through continuous training and industry updates.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretary who plays a vital role to the Board in discharging its function and duties.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	All Board and committee members are provided with the requisite notice, agenda and board papers seven (7) days before the convening of each meeting so that Board members are given sufficient time to prepare and, where necessary, obtain additional information or clarification prior to the meeting to ensure effectiveness of the proceeding of the meeting. The Company Secretary also prepares the Board/Board Committee meeting minutes, properly recording issues deliberated and decisions and conclusions are arrived at, as well as dissenting views or abstention by any Director, if any. The minutes of meetings are timely circulated and subsequently confirmed by the members of the Board and Board Committee(s) at the next meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

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

Application	:	Applied
Explanation on application of the practice	:	The Board has a Board Charter which sets out the responsibilities between the board, board committees and management, and the Board Charter was reviewed on 28 March 2019 to ensure that new laws, regulations or relevant developments having an impact on the discharge of the Board's responsibilities are taken into account. A copy of the Board Charter is available on the Company's website at www.kialim.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has in place a Code of Conduct and Ethics ("CCE") for the company, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading, and money laundering etc.</p> <p>The CCE applies to all Directors and employees of the Kia Lim Group and vendors who are required to affirm their commitment to observing its prescriptions. The CCE serves as a documentation of the Directors and employees' commitment to do business in a manner that is efficient, ethical and fair, and is meant to be a reference point for all Directors and all levels of employees as well as parties that engage with business dealings with Kia Lim Group.</p> <p>All Directors and employees are required to strictly adhere to the CCE. Any non-compliance with the CCE is to be reported to the Heads of Department or Human Resources and Administration Department for further deliberation and decision.</p> <p>The CCE for both directors and employees are periodically reviewed by the Board, and are available on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has developed a Whistleblowing Policy which is in line with the Board's effort to encourage employees to report genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace. The Board ensures that the Whistleblowing Policy sets out avenues where legitimate concerns can be objectively investigated and addressed. Individuals should be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal.</p> <p>The Whistleblowing Policy is published on the Company's website, and there was no whistleblowing case reported during the financial year ended 31 December 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

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

Application	:	Applied												
Explanation on application of the practice	:	<p>The Board currently has five (5) members, comprising the Chairman, who is an Independent Non-Executive Director, the CEO, one (1) other Executive Director and two (2) Independent Non-Executive Directors. With the above appointments, Kia Lim Berhad has thus complied with the desired practice of the MCCG which requires the Board must comprise at least half (1/2) of Independent Directors.</p> <table border="1"><thead><tr><th>Designation</th><th>No. of Director</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Executive Director</td><td>2</td><td>40.00</td></tr><tr><td>Independent Non-Executive Director</td><td>3</td><td>60.00</td></tr><tr><td>Total</td><td>5</td><td>100.00</td></tr></tbody></table>	Designation	No. of Director	Percentage (%)	Executive Director	2	40.00	Independent Non-Executive Director	3	60.00	Total	5	100.00
Designation	No. of Director	Percentage (%)												
Executive Director	2	40.00												
Independent Non-Executive Director	3	60.00												
Total	5	100.00												
Explanation for departure	:													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:													
Timeframe	:													

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied
Explanation on application of the practice	:	<p>Currently Mr Loh Chee Kan, Mr Chua Syer Cin and En Mohd Salleh Bin Jantan have served the Board for accumulated terms of more than nine (9) years.</p> <p>In line with the MCCG, the Nomination Committee ("NC") has assessed the independence of Mr Loh, Mr Chua and En Salleh as defined in MMLR of Bursa Securities which has not been compromised all these while. In fact their experience gained in this industry all these while benefited the Company. Independent Directors always probe the Management and Executive Directors on all issues to their satisfaction. In addition, they always offer their insights and experience to Management and Executive Directors in their decision making process.</p> <p>To that, the Board recommends Mr Loh, Mr Chua and En Salleh to continue their office as Independent Directors according to the respective resolutions put forth in the forthcoming AGM and a <i>two-tier voting process</i> will be conducted during the forthcoming AGM to re-elect Independent Directors who have served the Board for <i>more than twelve (12) years</i>.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In the process of selecting and evaluating candidates for the Board and Senior Management Team, the Nomination Committee takes into consideration suitability for the role, board balance and composition, mix of skills, experience, knowledge and other qualities as well as diversity in terms of gender, age, ethnicity and cultural background.</p> <p>The Board does not have any formal gender, ethnicity and age diversity policies and targets or any set measures to meet any target. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on objective criteria, merits and with due regard for diversity in skills and experience but are not driven by any gender, ethnicity or age bias.</p> <p>Currently, there are four (4) female employees amongst the managerial level in the Group.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	At present, the Board has no female Director. The Board is of the view that while it is important to promote diversity, the normal selection criteria of a Director based on effective blend of competences, skills, experience and knowledge should remain a priority so as not to compromise on mix of capabilities, experience and qualification in the Board.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Taking into account the current Board size for effective decision making, the Board will take steps to aim for 30% of women directors on the Board by placing gender diversity as one of the considerations for new appointments to the Board.
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee (NC) is responsible to identify and select potential new Directors and to make recommendations to the Board for the appointment of Directors.</p> <p>During the financial year ended 31 December 2018, the Board, has taken into account of the assessment by the Nomination Committee, is satisfied with the mix of skills and board composition level, therefore, no new Director is sourced and appointed to the Board. In the event that candidate is required for the appointment of Director, the NC would use variety of approaches and sources to ensure that it identifies the most suitable candidates and will not limit themselves by solely rely on the recommendations from existing Board members, management or major shareholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee is chaired by the Senior Independent Director, Mr Loh Chee Kan.</p> <p>His profile is set out in the Annual Report 2018. The specific responsibilities of the Senior Independent Director are as set out in the Board Charter, which is available on www.kialim.com.my.</p> <p>The Terms of Reference of the Nomination Committee is available on the Company's website at www.kialim.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year, the Nomination Committee had carried out an evaluation assessment as an effort to determine and monitor the level of effectiveness of the Board, the Audit Committee as well as the Board members. The evaluation process also involved a peer assessment, where Directors will assess the performance of their fellow Directors.</p> <p>Key Criteria / Areas for Board Evaluation:</p> <ul style="list-style-type: none"> A) Board composition and size. B) Board process C) Board Committees D) Provision of information to the Board. E) Standard of conduct F) Financial performance <p>Key Criteria / Areas for Director Evaluation:</p> <ul style="list-style-type: none"> A) Interactive skills. B) Knowledge C) Duties <p>These assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting which were then reported to the Board at the Board meeting held thereafter. The assessment enables the Board to ensure that each of the Board members has the character, experience, integrity, competence and time to effectively discharge their respective roles.</p> <p>The Board is happy with the above average outcome for most of its Directors and steps are taken to address weaknesses.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>On 28 February 2019, the Board has adopted a Remuneration Policy for the Directors and Senior Management to support and drive business strategy and long term objectives of the Company and its subsidiaries.</p> <p>In this regard, the Remuneration Committee is responsible to implement the policies and procedures on the remuneration for the Executive Directors and Senior Management whilst the Board is responsible for approving the policies and procedures which govern the remuneration of the employees including Executive Directors and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevalent market practices and that the Company attracts, retains and motivates the Directors and Senior Management who are with strong credentials, high caliber and astute insights to run the business successfully.</p> <p>The remuneration package is reflective of the individual Director's and Senior Management's experience and level of responsibilities and it is structured to link to corporate and individual performance.</p> <p>The Remuneration Policy is published on the Company's website at www.kialim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied						
Explanation on application of the practice	:	<p>The Remuneration Committee is responsible to assist the Board in assessing the remuneration packages of the Directors of the Company and Group. The Board will decide on the remuneration packages after considering the recommendations made by the Committee.</p> <p>The members of the Committee are as follows:</p> <table><tr><td>Mr Chua Syer Cin</td><td>Chairman</td></tr><tr><td>Mr Loh Chee Kan</td><td>Member</td></tr><tr><td>En Mohd Salleh Bin Jantan</td><td>Member</td></tr></table> <p>The Terms of Reference of Remuneration Committee is included in the Board Charter which is accessible for reference on the Company's website at www.kialim.com.my.</p>	Mr Chua Syer Cin	Chairman	Mr Loh Chee Kan	Member	En Mohd Salleh Bin Jantan	Member
Mr Chua Syer Cin	Chairman							
Mr Loh Chee Kan	Member							
En Mohd Salleh Bin Jantan	Member							
Explanation for departure	:							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>								
Measure	:							
Timeframe	:							

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The details of the Directors' Remuneration on a named basis and paid by the Company and its subsidiaries (including the components of directors' fees, salary, bonus, benefits in-kind and other emoluments) during the financial year ended 31 December 2018 are disclosed in the Corporate Governance Overview Statement of the Company's Annual Report 2018.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the opinion that the disclosure of the senior management's remuneration on a named basis and the various remuneration components (salary, bonus, benefits in-kind and other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns, and would likely to have adverse effect on the Group's talent retention. In fact, the Senior Management has indicated their concern over their safety and confidentiality pertaining to the disclosure.</p> <p>However, the disclosure of the compensation of key management has been made in note 24(b) of the financial statements for year ended 31 December 2018.</p> <p>The Board ensures that the remuneration of senior management is commensurate with the performance of the Group, with due consideration to attract, retain and motivate senior management to lead and run the Group successfully.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Group will closely monitor developments in the market in respect of such disclosure for future consideration.
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has established an Audit Committee to review the integrity of the financial reporting and to oversee the independence of external auditors.</p> <p>The Audit Committee is chaired by the Independent Non-Executive Director, Mr Chua Syer Cin. Meanwhile the Chairman of the Board is Mr Loh Chee Kan.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of reference of the Audit Committee, which is included in the Board Charter and is available on the Company's website at www.kialim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has put in place a policy in the terms of reference that requires a former key audit partner of existing external auditor to observe a cooling-off period of at least two years before being appointed as a member of the Audit and Risk Committee. At present, none of the Audit Committee members were former key audit partners of the Company's external auditors.</p> <p>The Term of Reference of the Audit Committee is included in the Board Charter and is available on the Company's website at www.kialim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>Under its Terms of Reference, the Audit Committee reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, quality of work, audit fees and the adequacy of resources.</p> <p>During the financial year, the Audit Committee met with the external auditor namely, Ernst & Young, twice in the absence of Management. The Audit Committee has also monitored and reviewed the performance and independence of Ernst & Young and is satisfied that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee.</p> <p>For the audit of the financial year ended 31 December 2018, the Audit Committee was further assured by Ernst & Young by way of written confirmation that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>Pursuant to the assessment on the suitability and independence of the external auditor, the Audit Committee made its recommendation to the Board on the re-appointment on the external auditor alongside the accompanying audit fees.</p> <p>The Term of Reference of the Audit Committee is included in the Board Charter and is available on the Company's website at www.kialim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied						
Explanation on adoption of the practice	:	<p>The Audit Committee consists of three (3) members of which all are Independent Non-Executive Directors.</p> <p>The members of the Committee are as follows:</p> <table><tr><td>Mr Chua Syer Cin</td><td>Chairman</td></tr><tr><td>Mr Loh Chee Kan</td><td>Member</td></tr><tr><td>En Mohd Salleh Bin Jantan</td><td>Member</td></tr></table>	Mr Chua Syer Cin	Chairman	Mr Loh Chee Kan	Member	En Mohd Salleh Bin Jantan	Member
Mr Chua Syer Cin	Chairman							
Mr Loh Chee Kan	Member							
En Mohd Salleh Bin Jantan	Member							

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The members of the Committee are as follows:</p> <p>Mr Chua Syer Cin (Chairman and Independent Non-Executive Director)</p> <p>Mr Loh Chee Kan (Senior Independent Non-Executive Director)</p> <p>En Mohd Salleh Bin Jantan (Independent Non-Executive Director)</p> <p>Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties. All members of the Audit Committee are financially literate, whilst the Chairman of the Audit Committee is a member of MIA, and thus, fulfilling paragraph 15.09(1)(c) of MMLR, which calls for one member of the audit committee to be a member of a professional accountancy body.</p> <p>All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the Audit Committee members had attended training courses. Details of their training can be seen on pages 17 to 18 of the Annual Report 2018.</p> <p>During the Audit Committee Meetings, the members were briefed by the external auditor, Messrs. Ernst & Young on the following key areas:</p> <ul style="list-style-type: none"> • Financial Reporting developments; • Adoption of Malaysian Financial Reporting Standards; • Malaysian Code on Corporate Governance; and • Other changes in regulatory environment.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of risk management and internal control. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets.</p> <p>The system of Risk Management and Internal Control covers risk management, finance, operations, management information systems and compliance with relevant laws, both local and foreign, all other regulations, policies and procedures.</p> <p>Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management, such systems being designed to manage, rather than eliminate, the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.</p> <p>The Group's Risk Management and Internal Control framework is an ongoing process, and is in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group throughout the financial year. The process is regularly reviewed by the Board.</p> <p>The internal control mechanisms established by the Board are embedded within the organisation structure in all its processes. The internal control system is independently reviewed by an independent professional consulting firm, Wensen Consulting Asia (M) Sdn Bhd, to assess its adequacy and effectiveness.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	Details of the features of risk management and internal control framework are disclosed in the Company's Annual Report under Statement on Risk Management and Internal Control.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Applied
Explanation on adoption of the practice	:	<p>Risk Management Committee ("RMC") comprises a majority of Independent directors and plays the role to ensure that a risk management structure is embedded throughout the Group and risk management policies consistently adopted.</p> <p>The members of the Committee are as follows:</p> <p>Mr Loh Chee Kan <i>(Chairman and Senior Independent Non-Executive Director)</i></p> <p>Mr Chua Syer Cin <i>(Independent Non-Executive Director)</i></p> <p>Mr Ng Chin Kang <i>(Executive Director)</i></p>

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>Reviewing the internal audit function's effectiveness and independence is part of Audit Committee ("AC")'s oversight responsibilities.</p> <p>The Company engages with Wensen Consulting Asia (M) Sdn Bhd to carry out the internal audit function.</p> <p>During the financial year under review, internal auditor has performed the following activities:-</p> <ul style="list-style-type: none"> i) Sales to Collection Process; ii) Credit Control Management; iii) Production Planning and Control; iv) Production Management; and v) Occupational, Safety and Health Management. <p>In the course of auditing, the internal auditors have identified some internal control weaknesses which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal controls. Thus, the Board has outsourced its internal audit function to an independent professional consulting firm, Wensen Consulting Asia (M) Sdn Bhd ("Wensen").</p> <p>The internal audit function is free from any relationship or conflicts of interest which could impair their objectivity and independence. Wensen has no relationship with the Group and is independent from Management, employees, Directors and substantial shareholders. The Audit Committee is of the opinion that Wensen is independent and objective in carrying out its role as an internal audit function.</p> <p>The outsourced internal audit function comprises 13 auditors, and is headed by the Executive Director who is assisted by an audit team comprising of the Engagement Director, Managers and Consultants. The Executive Director is a Practising Member of the Institute of Singapore Chartered Accountants (ICSA), a member of the Malaysian Institute of Accountants (MIA) and a Fellow Member of the Association of Chartered Certified Accountants (FCCA), with more than 20 years of experience in auditing while other team members are accounting graduates with a minimum qualification of a degree obtained from overseas and/ local universities.</p> <p>The Internal Audit Plan approved by the Audit Committee was duly carried out by the internal audit function for the year 2017 based on Wensen's internal audit methodology which is aligned in accordance with the Internal Auditing Standards set forth in the International Professional Practices Framework issued by the Institute of Internal Auditors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that they are well informed of major developments of the Company. The information is communicated to them through the issuance of Annual Report, Circular to Shareholders and announcements made to the Bursa Securities including quarterly results. Shareholders and other stakeholders could also obtain general information of the Company through the website of Bursa Securities and the Company. Our website, www.kialim.com.my is available for access of information by shareholders and the public. Information posted on the website is updated periodically.</p> <p>For any feedbacks or enquires, shareholders can direct them to the Company's designated email address ir-enquiries@kialim.com.my or directly to the Senior Independent Non-Executive Director, Mr Loh Chee Kan at his designated email address sined@kialim.com.my.</p> <p>In view of the size of the Company, Mr Ong is entrusted to assist Mr Loh with investor relation functions of the Company for the time being.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Non-Applicable
Explanation on application of the practice	:	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	The 2019 Annual General Meeting ("AGM") is scheduled to be held on 28 May 2019. In compliance the MCCG, the Notice of AGM is given to shareholders on 29 April 2019, which is at least 28 days prior to the meeting.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied
Explanation on application of the practice	:	All Directors attended the AGM held on 30 May 2018. The AGM is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session in which shareholders may raise questions pertaining to the business activities of the Company. To encourage participation of shareholders at general meetings, the Chairman invites questions from shareholders for every agenda items of the meeting. Board Members and Senior Management Team are available to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by shareholders.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	<p>In line with the MMLR of Bursa Securities under Paragraph 8.29A(1), the Company has implemented poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands at the 23rd AGM of the Company held on 30 May 2018.</p> <p>The poll results were also announced to Bursa Securities via Bursa LINK on the same day for the benefit of all the shareholders. Proceedings of the AGM are properly minuted and published on the Company's website after the conclusion of the AGM.</p> <p>The location of the AGM is near Batu Pahat town and readily accessible. The upcoming 24th AGM will be held at The Katerina Hotel, Batu Pahat. The said hotel and the surrounding commercial premises have ample parking space.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	