

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7199  
**COMPANY NAME** : Kein Hing International Berhad  
**FINANCIAL YEAR** : April 30, 2020

## 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### **Intended Outcome**

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

### **Practice 1.1**

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Company is led by a proactive Board which is entrusted with the responsibility of setting the goals and the strategic direction as well as strategies that are sustainable for the Company and its subsidiaries ("the Group"). It also oversees the conduct of the Group's businesses, ensuring various control systems are in place as well as regularly evaluating such systems to ensure its integrity. The controls are necessary to mitigate the risks associated with the businesses of the Group.</p> <p>The Board is committed to ensure that a high standard of corporate governance is practised throughout the Company and its subsidiaries in discharging its responsibilities with integrity, transparency and professionalism to protect the assets of the Group and enhance shareholders' value and the financial position of the Group. The Board has always been vigilant of the fiduciary duties entrusted upon the Board as the principle guide in discharging its duties.</p> <p>The Board recognises the importance of good corporate governance and applies the Practices to the best of its interest and ability as set out in the Malaysian Code on Corporate Governance 2017 ("the Code") to enhance business prosperity and maximize shareholders' wealth.</p> <p>The Board will continuously improve and ensure that the Group applies and implements the applicable corporate governance practices to create long-term value for the stakeholders.</p> <p>The Board has three (3) Committees, namely, Audit and Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to assist the Board in discharging its responsibilities to meet the Company's goals and objectives of improvement in management performance and retention of human assets, and maximization of shareholders' wealth. The terms of reference for each of the Committees will be reviewed periodically and amended (if any) accordingly after approval by the Board.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 1.2

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Chairman, Mr. Darsan Singh A/L Balwant Singh who is an Independent Non-Executive Director is primarily responsible for the effective operation and performance of the Board. His profile can be viewed in page 5 of the Company's Annual Report 2020.</p> <p>Key responsibilities of the Chairman as set out in Guidance 1.2 of the Code have been adopted by the Company to be the duties and responsibilities the Chairman of the Company:</p> <ol style="list-style-type: none"> <li>1. Provides leadership for the board so that the board may perform its responsibilities effectively;</li> <li>2. Sets the board agenda and ensures that board members receive complete and accurate information in a timely manner;</li> <li>3. Leads board meetings and discussions;</li> <li>4. Encourages active participation and allows different views to be freely expressed;</li> <li>5. Manages the interface between board and management;</li> <li>6. Ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and</li> <li>7. Leads the board in establishing and monitoring good corporate governance practices in the Company</li> </ol>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 1.3

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	In order to promote accountability, transparency and to uphold independent judgement in decision making, the positions of Chairman and Group Managing Director are held by two different individuals as both positions have distinct and separate roles and responsibilities. Furthermore, the distinct and separate roles of the Chairman and the Group Managing Director come with a clear division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers in decision making. The Group Managing Director is Mr. Yap Toon Choy who is responsible for the management of the Group, making and implementing operational and corporate decisions as well as developing, coordinating and implementing Business and Corporate Strategies.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by an experienced and competent Company Secretary who is qualified to act as secretary under Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretary of Kein Hing International Berhad, Mr. Ng Yim Kong is a secretary licensed by the Registrar of Companies by virtue of Section 235(2) of the Companies Act 2016. He also holds a practising license issued by the Companies Commission of Malaysia. The Company Secretary plays an advisory role to the Board by providing appropriate advice and relevant services to ensure that all applicable rules and regulations are complied with. The Company Secretary is also responsible for advising amongst others the directors of their obligations and adherence to matters pertaining to disclosure of interest of securities, disclosure of any conflict of interest in transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. Deliberation during the Board and Board Committees' meetings were properly minuted, documented and circulated by the Company Secretary to the Chairman and members of the Board and committees for review thereafter. The minutes will be formally confirmed by the Board at its next scheduled meeting.</p> <p>The Company Secretary has constantly kept himself abreast with current developments of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Companies Act 2016, related securities law and corporate governance practices. The Company Secretary has the knowledge and experience to carry out his duties and responsibilities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors are supplied with relevant reports and board papers on operational, financial and corporate issues as well as minutes of Board Committees' meetings which are circulated in advance to all Board Members prior to the meetings. Sufficient time is provided to enable the Directors to review and to obtain further information. Further details or supplementary information may be provided when the needs arise.</p> <p>The Company Secretary will ensure a timely dissemination of the Board and Board Committee papers to all Directors which is at least seven (7) days prior to the Board and Board Committee meetings, to facilitate review of the meeting papers and decision making by the Directors and to deal with matters arising from such meetings.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board Charter was adopted by the Board to observe the standards of corporate governance and clarifies, amongst others, the roles and responsibilities of the Board.</p> <p>The Board Charter would be periodically reviewed and updated by the Board to ensure that it remains consistent with the Board's objectives and responsibilities. It also sets out the respective roles and responsibilities of the Board, Board Committees, individual Directors and Management and issues and decisions reserved for the Board.</p> <p>The updated Board Charter is accessible at the Company's website at <a href="http://www.keinhing.com">www.keinhing.com</a>.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Company has adopted a Code of Ethics and Conduct for Directors relating to ethical practices, which is incorporated into the Board Charter. The Code of Ethics and Conduct relating to Group's operations was also formulated for staff and employees which can be found at the Company's website at <a href="http://www.keinhing.com">www.keinhing.com</a> .	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board values the importance of transparency and consistency in communication with all the stakeholders, while taking into account of critical commercial confidentiality and regulatory considerations. Pursuant to this objective, a formal Corporate Disclosure Policy together with Whistleblowing Policy has been established and adopted. The Corporate Disclosure Policy can be found at Inernet System of Kein Hing Industry Sdn Bhd which is accessible by the employees, and the Whistleblowing Policy can be accessed at the Company's website at <a href="http://www.keinhing.com">www.keinhing.com</a>.</p> <p>The Whistleblowing Policy allows employees to raise concerns without fear of reprisals on possible improprieties in matters of financial reporting, abuse of power, sexual harassment, compliance and other malpractices at the earliest opportunity, and in an appropriate way. Under the Group's Whistleblowing Policy, the employee should immediately report any malpractice that exists in the work place to his/her manager. However, if the employee feels reluctant to do so, the employee has an option to directly report it to the Chairman of the Board.</p> <p>With the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2018 on 1 June 2020, the Company has implemented its own Anti-Corruption Policy which re-inforces the Group's belief and commitment to conducting business transparently, honestly and with integrity. The Board sets a strong tone for intolerance in the Anti-Bribery and Anti-Corruption Statement issued by the Group Managing Director, Mr. Yap Toon Choy to any corrupt practices of its employees and/or any person(s) associated with the Company purportedly carried out for the Company's benefit or advantage or in the interest of the Company. The Board has adopted adequate procedures to prevent and detect corruptions.</p>
<b>Explanation for departure</b> :	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board of Kein Hing International Berhad, comprises six (6) members; of whom two (2) are Executive Directors, four (4) are Independent Non-Executive Directors.</p> <p>This is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities, where at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors. Furthermore, the Company has complied with Practice 4.1 of the Code with at least half of the Board being independent directors.</p> <p>All Independent Non-Executive Directors are independent of management and are free of any relationship that could interfere with their exercise of independent judgment.</p> <p>The four (4) Independent Non-Executive Directors fulfill an important role in corporate accountability as they furnish balanced and independent view to the Board, particularly on issues pertaining to shareholders, stakeholders and various communities in which the Group operates and issues of conflict of interest or related party transactions. The Senior Independent Non-Executive Director is Mr. Swee Soo Mang.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b> :	Departure
<b>Explanation on application of the practice</b> :	<p>The Board noted that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall justify and secure shareholders' approval on a year to year basis.</p> <p>Mr. Darsan Singh A/L Balwant Singh ("Mr. Darsan"), Mr. Swee Soo Mang ("Mr. Swee") and Mr. Gan Chee Tsong ("Mr. Gan") have each served the Board for more than twelve (12) years.</p> <p>The Nominating Committee ("NC") has reviewed and the Board as a whole has recommended to retain the three (3) Independent Non-Executive Directors. The Board will be seeking shareholders' approval at the forthcoming Annual General Meeting of the Company to retain Mr. Darsan, Mr. Swee and Mr. Gan as Independent Non-Executive Director by way of ordinary resolution via single-tier voting process. This is a departure from Practice 4.2.</p>
<b>Explanation for departure</b> :	<p>The Board has via the NC assessed and is fully satisfied that they have continued to be independent and have carried out their professional duties in the best interest of the Company and shareholders given their extensive experience and in depth knowledge of the Group's businesses. The Board believes that they will continue to bring valuable insights and contributions to the Board and their exercise of independent judgement are not affected by the length of their service as independent directors and their suitability is a function of their calibre, experience and personal qualities. The justifications for retaining Mr. Darsan, Mr. Swee and Mr. Gan as an Independent Non-Executive Directors are set out in the Corporate Governance Overview Statement of the Annual Report 2020. Therefore, the Board decided not to adopt the two-tier voting process at the forthcoming Annual General Meeting.</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :	The Company will review and consider to adopt the two-tier voting process in future.	
<b>Timeframe</b> :	Others	Within 5 years

### Intended Outcome

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

### Practice 4.3 - Step Up

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

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	<p>The Board has no policy which limits the tenure of its independent directors to nine (9) years so long as they continue to :</p> <ul style="list-style-type: none"><li>• Fulfil the criteria under the definition of Independent Director as stated in the MMLR of Bursa Securities.</li><li>• Exercise impartial judgements and carry out their duties in the best interest of the Company and stakeholders.</li><li>• Provide positive participation and contribution towards the setting of goals, directions and strategies.</li></ul>

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Company is led by a diverse Board with a mix of management and entrepreneurial skills, supported by Independent Directors who bring to the Board their different fields of training and expertise. The Board is satisfied that no individual or group of individuals dominates the Board's decision making process. With the right mix of size, experience, knowledge, expertise and gender, the Board provided the means for effective management and perspectives, which are vital for the strategic success of the Group.</p> <p>A diverse Board including diversity at Senior Management level can offer greater depth and breadth compared to a non-diverse Board and will provide constructive debates, which will lead to better decisions. It enables the discussion of the same ideas in differing ways and equips the Company to face challenges in an ever-changing environment.</p> <p>The Board has one (1) female director out of six (6) directors while out of seven (7) Senior Management in the Group, four (4) of them are females. This reflects on the Group practices of non-discrimination in any form especially in terms of gender throughout the organisation.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

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

**Practice 4.5**

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board although has no specific policy or target on gender diversity, is fully conversant with the benefit and contribution of a diverse Board to the decision making process and performance of the Company. For the moment the Board has not set any target for the appointment of female candidates to the Board. Any such appointment will be made based on merit and will follow the Company's guideline on evaluation and selection of candidates. The evaluation and selection of the suitability of candidates is conducted based on the candidates' compatibility, competency, character, time commitment, integrity and experience in meeting the needs of the Company.</p> <p>Presently, the Board composition comprises one (1) female director, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competency to enable them to discharge their duties and responsibilities effectively.</p> <p>According to the Company's needs, the Nominating Committee will include steps to identify suitable female candidates who have the qualifications, competencies, skills, experience and knowledge in areas identified by the Board to be considered as part of its recruitment exercise.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

## Practice 4.6

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

<b>Application</b> :	Dapature.
<b>Explanation on application of the practice</b> :	<p>All new nominees to the Board are reviewed and evaluated by the Nominating Committee before a recommendation is made to the Board for appointment.</p> <p>The Nominating Committee assists the Board in identifying and recommending suitable potential candidates with the relevant skill, knowledge and experience required (including gender diversity) for appointment as a director and for approval by the Board thereafter. Presently, the Board does not utilise any independent sources to identify suitably qualified candidates.</p> <p>All newly appointed directors will be briefed on the structure and the business activities of the Group and are required to attend the Mandatory Accreditation Programme as required under the MMLR of Bursa Securities.</p> <p>The Directors are encouraged to attend continuous education or suitable training programme each year to ensure that each director receives regular briefings and updates on changes in risks, laws and regulations, economic scenario and the industry climate affecting the business, and to continuously upgrade their knowledge and understanding of their roles and responsibilities as directors.</p>
<b>Explanation for departure</b> :	<p>The Board presently has a wide choice of suitably qualified candidates in the event that it needs to appoint an additional director.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Nominating Committee ("NC") comprises three (3) Non-Executive Directors, all of whom are Independent Directors. The Chairman of NC, Mr. Darsan Singh A/L Balwant Singh is an Independent Non-Executive Director.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Nominating Committee (“NC”) conducts an evaluation of the performance of each of the Directors and reviews as well as assesses the size of the Board, the required mix of skills, experience, performance and contribution of Directors; effectiveness of the Board as a whole; independence of Independent Directors and training needs of the Directors.</p> <p>The internally tailor-made evaluation questionnaires which assess on pertinent considerations, characteristics and good corporate governance practices are reviewed by the NC annually with the view of ensuring that the evaluation questionnaires are continued to be relevant, adequate and effective in providing candid assessment and feedback to the Board of Directors for further action, where necessary. Upon the recommendation of the NC and the approval of the Board of Directors, the evaluation questionnaires are sent to the directors for their completion, and are returned to the Company Secretary who will analyse and compile the results of the self- assessment and peer-to-peer evaluation. The NC will review the results and report to the Board especially if any follow up action needs to be taken.</p> <p>Following the evaluation, the NC will conclude if the Board as a whole and its committees were effective with the necessary skills, experience and qualification and if the current composition and performance of the Board are satisfactory.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	

<b>Timeframe</b> :		
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## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Company has specific policies and procedures to determine the remuneration of Directors and Senior Management. The Directors' remuneration packages are reviewed by the Remuneration Committee from time to time and are recommended to the Board for approval.</p> <p>The remuneration of the Executive Directors consists of basic salary and other emoluments. Any salary review will take into account the market rates and the performance of the individual and the Group. The Non-Executive Directors' annual fees reflect their expected roles and responsibilities. In addition, Non-Executive Directors are paid a meeting allowance for each meeting they attended.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>In compliance with the Code, a Remuneration Committee ("RC") was set-up on 6 December 2004 and is entrusted with the following responsibilities:</p> <ul style="list-style-type: none"><li>(i) To assist the Board in developing and administering a fair and transparent procedure for setting policy on remuneration of directors and senior management to ensure that remuneration packages are determined on the basis of the directors' and senior management's merit, qualification and competency, having regard to the Company's operating results, individual performance and comparable market statistics.</li><li>(ii) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary.</li><li>(iii) To ensure that the remuneration and incentives for Independent Directors do not conflict with their obligation to bring objectivity and independent judgement on the matters discussed at board meetings.</li><li>(iv) To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors.</li><li>(v) To recommend to the Board any performance related pay schemes for Executive Directors.</li><li>(vi) To review Executive Directors' scope of service contracts.</li><li>(vii) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions.</li></ul> <p>The Terms of Reference of the RC is available at the</p>

	Company's website at <a href="http://www.keinhing.com">www.keinhing.com</a> .	
	The members of the RC comprise wholly of Non-Executive Directors; all of whom is Independent.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The details of the remuneration of Directors for the financial year ended 30 April 2020 are disclosed on named basis in the Corporate Governance Overview Statement in the Company's Annual Report 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that such disclosure would not be beneficial to the individual Senior Management staff's interest due to the following reasons:-</p> <ul style="list-style-type: none"><li>(a) Confidentiality and sensitivity of personal information of Senior Management.</li><li>(b) Will give rise to breach of personal data protection.</li><li>(c) Security concerns for the staff including their family members.</li><li>(d) Can potentially create dissention among the staff.</li><li>(e) Encourage staff pinching or poaching of executives in the industry.</li></ul> <p>The Board ensures that the remuneration of Senior Management commensurates with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Company will review and consider disclosing the top 5 senior management's remuneration component in bands width of RM50,000 on named basis in future.	
<b>Timeframe</b>	:	Others	Within 5 years

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Audit and Risk Management Committee ("ARMC") has four (4) members; all of whom are Independent Non-Executive Directors and one of the ARMC members, Mr. Gan Chee Tsong is a member of the Malaysian Institute of Accountants.</p> <p>The Chairman of the ARMC, Mr. Swee Soo Mang, is the Senior Independent Non-Executive Director while the Chairman of the Board is Mr Darsan Singh A/L Balwant Singh.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has a policy that requires a former key audit partner of the Group audit to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit and Risk Management Committee ("ARMC").</p> <p>Currently, no former key audit partner is appointed as a member of the ARMC.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	It is the ARMC's responsibility in the ARMC's Terms of Reference to assess the suitability, objectivity, capabilities and independence of the external auditors and make recommendations to the Board on the appointment, re-appointment or termination of the external auditors.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b> :	Adopted								
<b>Explanation on adoption of the practice</b> :	<p>The Audit and Risk Management Committee comprises the following members, all of whom are Independent Non-Executive Directors:</p> <table><tr><td>Swee Soo Mang (<i>Chairman</i>)</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Darsan Singh A/L Balwant Singh</td><td>Independent Non-Executive Director</td></tr><tr><td>Gan Chee Tsong</td><td>Independent Non-Executive Director</td></tr><tr><td>Khor Yew Chye</td><td>Independent Non-Executive Director</td></tr></table>	Swee Soo Mang ( <i>Chairman</i> )	Senior Independent Non-Executive Director	Darsan Singh A/L Balwant Singh	Independent Non-Executive Director	Gan Chee Tsong	Independent Non-Executive Director	Khor Yew Chye	Independent Non-Executive Director
Swee Soo Mang ( <i>Chairman</i> )	Senior Independent Non-Executive Director								
Darsan Singh A/L Balwant Singh	Independent Non-Executive Director								
Gan Chee Tsong	Independent Non-Executive Director								
Khor Yew Chye	Independent Non-Executive Director								

**Intended Outcome**

There is an effective and independent Audit Committee

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

**Practice 8.5**

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

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>All the Audit and Risk Management Committee ("ARMC") members are financially literate and carried out their duties in accordance with the Terms of Reference of the ARMC which are made publicly available at the Company's website at <a href="http://www.keinhing.com">www.keinhing.com</a>.</p> <p>All the ARMC members undertake continuous professional training and development to ensure that they are abreast of relevant developments in accounting and auditing standards, practices and rules.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Board acknowledges its responsibility for ensuring the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board has established 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 and has appointed Ms. Kally Liew Choon Fong as the Risk Management Coordinator who presents the quarterly Risk Management Report to the Audit and Risk Management Committee as well as to the Board.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board firmly believes that an effective risk management is critical to the Group's achievement of business objectives and the enhancement of shareholder value. Therefore, the Board has implemented an effective risk management framework and internal control framework. The Board has established a formal enterprise risk management ("ERM") framework which aims to provide an integrated and organised approach entity-wide. It outlines the ERM methodology, mainly promoting the risk ownership and continuous monitoring of key risks identified.</p> <p>Under the ERM oversight structure, a Risk Management Coordinator ("RMC") has been appointed and is responsible for assisting the Audit and Risk Management Committee ("ARMC") in managing the effective implementation and maintenance of ERM. The roles and responsibilities of the RMC include, among others, organizing the required risk management resources, reviewing and updating the existing risk profile, ensuring that all action plans are acted upon, preparing quarterly Risk Management Reports for submission to the ARMC and also assisting the ARMC in preparing Risk Management Reports for submission to the Board.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

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

### Practice 9.3 - Step Up

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

<b>Application</b> :	Departure
<b>Explanation on adoption of the practice</b> :	<p>The Board acknowledges the functions and responsibilities of the establishment of a separate Risk Management Committee. However, to date the Audit Committee of the Company has been coordinating with the Risk Management Coordinator ("RMC") to review the risk scorecard and risk profile of the Group. Therefore, overseeing the Group's risk management policies and framework have been the function of Audit Committee. Accordingly, the Board has approved that the Audit Committee should continue to be fully responsible to review, monitor and report to the Board the risks faced by the Group and actions taken to mitigate and/or control these risks.</p> <p>In our Group, the Risk Management Committee is part of the Audit Committee. Hence, on 28 March 2019, the Audit Committee has been renamed as the Audit and Risk Management Committee ("ARMC"). All the four (4) Independent Non-Executive Directors are members of the ARMC.</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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Company's internal audit function is outsourced to Naim Consulting ("Internal Auditors"), a firm of Chartered Accountants. The Audit and Risk Management Committee ("ARMC") ensures that the Internal Auditors are independent. The Internal Auditors have no involvement in the operations of the Group. The ARMC has full and direct access to the internal auditors, reviews the reports on all audits performed and monitors its performance as the internal auditor reports directly and independently to the ARMC.</p> <p>The ARMC also reviews the adequacy of the scope, function, competency and resources of the outsourced internal audit function. The Internal Auditors provided the ARMC with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

### Practice 10.2

The board should disclose–

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>The Company does not have its own internal audit department.</p> <p>The outsourced Internal Auditors is Encik Mohd Naim bin Abdullah from Naim Consulting and his qualifications are as follows:</p> <ol style="list-style-type: none"> <li>1. Bachelor in Accounting with Honours, International Islam University Malaysia</li> <li>2. A member of MIA (Malaysian Institute of Accountants)</li> </ol> <p>The Internal Auditors carry out the internal audit function in accordance with a recognised internal audit framework and internal audit plan approved by the Audit and Risk Management Committee.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board acknowledges the importance of accountability, transparency and timely communication with its stakeholders. Maintaining effective communication with stakeholders enables the Company to keep its stakeholders informed of its progress and enabling the Company to better understand the stakeholders' concerns and to take these concerns into account when making decisions.</p> <p>The annual reports and quarterly announcements remain the principal form of communication providing stakeholders with an overview of the Group's activities and performance. In addition, stakeholders are kept informed of changes in the Boardroom and board committees, corporate exercise, changes in substantial shareholders and/or shareholdings, intention of share buy-back, related party transactions and other related matters as prescribed by the MMLR of Bursa Securities. All announcements are via Bursa Securities' Bursa Link and are posted on the Company's website at <a href="http://www.keinhing.com">www.keinhing.com</a>.</p> <p>Alternatively, shareholders can seek additional information through the Company's website: <a href="http://www.keinhing.com">www.keinhing.com</a> or <a href="http://www.zenne.com.my">www.zenne.com.my</a>.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	The Company is not under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance for the time being. Hence, such requirement is not applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>According to Clause 62(a) of Company's Constitution, notice of Annual General Meeting will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed. The 21 days' notice is within the requirement stipulated by the Companies Act, 2016 ("CA 2016") under Section 316 and Paragraph 9.19 of the MMLR of Bursa Securities.</p> <p>The Board is aware that Practice 12.1 of the Code encourages the Company to send out Notice for its Annual General Meeting to the shareholders at least 28 days prior to the meeting. Since the Notice of the Company's Annual General Meeting ("AGM") will be sent on 28 August 2020 while its AGM will only be held on 15 October 2020, the Company complies with Practice 12.1 of the Code.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	All Directors, including the members of the Board Committees, will attend and participate on matters relating to them at the Company's Annual General Meeting and are available to give response if there are any questions addressed to them.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Group's Annual General Meeting has always been physically held in Seri Kembangan, Selangor and not in a remote location.</p> <p>However, due to COVID-19 pandemic and as part of the safety measures, the Seventeenth Annual General Meeting will be conducted for the first time entirely through live streaming from the Broadcast Venue. This is in accordance with the Guidance Note on the Conduct of General Meetings for listed issuers issued by the Securities Commission Malaysia on 18 April 2020, including any amendment that may be made from time to time.</p> <p>Shareholders will be able to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the Seventeenth Annual General Meeting using Remote Participation and Voting Facilities ("RPV") provided by Tricor Investor &amp; Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at <a href="https://tiih.online">https://tiih.online</a>.</p> <p>Shareholders who appoint proxies, corporate representatives or attorneys to participate via RPV must deposit their proxy forms, original certificate of appointment of corporate representative or power of attorneys respectively with Tricor not later than Tuesday, 13 October 2020 at 10.00 a.m.</p> <p>The proxy or attorney or authorized representative must register himself/herself for RPV at the said TIIH Online website mentioned above.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<b>Measure</b> :		
<b>Timeframe</b> :		

**PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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