

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0210  
**COMPANY NAME** : KIM HIN JOO (MALAYSIA) BERHAD (“KHJ” OR “COMPANY”)  
**FINANCIAL YEAR** : December 31, 2019

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors of KHJ (“<b>Board</b>”) is collectively responsible for establishing the Group's goals and strategic directions, setting goals and targets for Management and monitoring the achievement of goals and targets. The Board provides effective leadership and manages overall control of the Group's affairs through the discharge of the following duties and responsibilities:-</p> <ul style="list-style-type: none"><li>(a) together with senior Management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;</li><li>(b) review, challenge and decide on Management's proposals for the Company, and monitor its implementation by Management;</li><li>(c) ensure that the strategic plan and direction of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;</li><li>(d) supervise and assess the conduct and performance of the Management to determine whether the business is being properly managed;</li><li>(e) ensure there is a sound framework for internal controls and risk management;</li><li>(f) understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;</li><li>(g) set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk</li></ul>

management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

- (h) ensure that senior Management has the necessary skills and experience, and that there are measures in place to provide for the orderly succession of the Board and senior Management;
- (i) ensure that the Company has in place procedures to enable effective communication with stakeholders;
- (j) ensure the integrity of the Company's financial and non-financial reporting; and
- (k) monitor and review policies and procedures relating to occupational, health and safety, and compliance with the relevant laws and regulations.

The day-to-day management of the Group is delegated to the Managing Director ("**MD**"), Executive Director and the Senior Management Team. In this respect, the Board is guided by the Limits of Authority which provides the authority limits for corporate, operational, financial and human resource areas. The Limits of Authority determines the respective approving authorities for each transaction, prohibiting unfettered powers for any single individual within the various levels of management. Nevertheless, the MD and Executive Director remain accountable to the Board for the authority that is delegated.

The Risk Management Committee ("**RMC**") assists the Board in establishing a sound internal control framework to manage risks with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group.

The Board strives to ensure there are regular communications with all its stakeholders, regardless of individual or institutional investors, or the wider stakeholders at large, through the timely releases of quarterly financial results, corporate announcements and annual reports.

The Board is assisted by the Audit Committee ("**AC**") in ensuring the Group's financial reporting processes are effective and the quality of the financial reporting is of a high standard. The AC reviewed the quarterly financial reports prior to its recommendation to the Board for approval and announcements to Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The Board Committees review matters within their Terms of Reference ("**TOR**") and make recommendations to the Board for approval. The Board is kept apprised of the activities of the Board Committees through the circulation of minutes of meetings of the Board Committees and update on meeting deliberations and outcomes by the respective chairmen and/or chairpersons of the Board Committees at

	meetings. The ultimate responsibility for the final decision on the recommendations lies with the entire 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

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>Mr. Pang Kim Hin was appointed/re-designated as a Non-Independent Non-Executive Chairman on 3 October 2018. He manages and provides leadership to the Board and the Management of the Company.</p> <p>The Chairman is tasked with the following responsibilities:-</p> <ul style="list-style-type: none"><li>(a) providing leadership for the Board so that the Board can perform its responsibilities effectively;</li><li>(b) setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;</li><li>(c) leading Board meetings and discussions;</li><li>(d) encouraging active participation and allowing dissenting views to be freely expressed;</li><li>(e) managing the interface between the Board and Management;</li><li>(f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;</li><li>(g) leading the Board in establishing and monitoring good corporate governance practices in the company; and</li><li>(h) be the spokesman for the Company.</li></ul> <p>The detailed roles and responsibilities of the Chairman are encapsulated in the Board Charter, which is available on the Company's website at <a href="http://www.khj-my.com">www.khj-my.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

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>	:	<p>The Board recognises the importance of exercising the objective to oversee the Management in order to guard the interest of the Company and its stakeholders. Stemming from this, the Board aims to ensure that there is an appropriate balance of power to prevent any single individual from dominating the deliberations and the decision-making process.</p> <p>The roles of the Chairman and MD are separate and clearly defined, and are held by two distinct individuals. Mr. Pang Kim Hin is the Non-Independent Non-Executive Chairman of the Board whereas Ms. Pang Shu Ming is the MD of KHJ.</p> <p>The Chairman is responsible for leading and managing the Board by focusing on strategy, governance and compliance. The MD focuses on the business and day-to-day management of the Group and implementation of the Board's decisions and policies.</p> <p>The key roles and accountabilities of the Chairman and MD are set out in the Board Charter which is available on the corporate website.</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 1.4

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 two (2) suitably qualified and competent Company Secretaries as follows:-</p> <ul style="list-style-type: none"><li>• Ms. Tai Yit Chan</li><li>• Ms. Tan Ai Ning</li></ul> <p>Both the Company Secretaries are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators (“<b>MAICSA</b>”) and are qualified to act as Company Secretaries under Section 235(2)(a) of the Companies Act 2016 (“<b>the Act</b>”).</p> <p>The key roles of the Company Secretary are set out in the Board Charter which is available on the corporate website.</p> <p>All Directors have unrestricted access to the advice and support of the Company Secretaries in relation to Board policies and procedures, compliance of applicable rules and regulations by the Group and corporate governance related practices.</p> <p>During the financial year, the Company Secretaries constantly kept themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance, and had attended the relevant continuous professional development programmes as required by MAICSA for practicing company secretaries.</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 Chairman, together with the Management and Company Secretaries, are responsible for ensuring the Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The notice of the scheduled Board meeting is served to the Directors at least seven (7) days prior to the Board Meeting, unless there is exceptional case for convening of Special Meeting of the Board to address emergency issue, where shorter notice is allowed with the consent of all Directors.</p> <p>Subsequent to the meetings, the draft minutes of the Board and Board Committee meetings are prepared within a reasonable period following the meeting and will be circulated for confirmation to ensure that deliberations and decisions of the Board are accurately recorded.</p> <p>The draft minutes of the Board and Board Committee meetings are typically approved at the subsequent Board and Board Committee meetings and the Chairman of the meetings signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book at the office of the Company Secretaries at 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, to be made available for inspection under the Act.</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 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 has adopted a Board Charter which provides guidance on how business is conducted in line with best practices and standards of good corporate governance as well as clarity for Directors and Management with regards to the role of the Board and its Committees.</p> <p>The Board Charter sets out the authority, responsibilities, membership and operation of the Board and of the Group, adopting principles of good corporate governance and practice, in accordance with applicable laws in Malaysia. The Board Charter entails, inter alia, the following main items:-</p> <ul style="list-style-type: none"><li>• Objectives of the Board;</li><li>• Role of the Board;</li><li>• Matters Reserved;</li><li>• Board Structure;</li><li>• Board Processes;</li><li>• Whistleblowing Policy;</li><li>• Annual Performance Evaluation of the Board, Board Committees and Individual Directors; and</li><li>• Code of Conduct and Business Ethics.</li></ul> <p>The Board Charter is applicable to all Directors of the Company and, amongst other things, provides that all Directors must avoid conflicts of interest between their private financial activities and their part in conduct of company business.</p> <p>The Board is to be reviewed annually by the Board as and when required and can be accessed via the Company's website at <a href="http://www.khj-my.com">www.khj-my.com</a>.</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

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>	<p>The Board has adopted a Code of Conduct and Ethics ("<b>Code</b>") on 31 December 2019 which covers ethical behaviour in all aspects of the Company's business operations. This includes areas concerning confidentiality of information, conflict of interest, gifts, gratuities, bribes, dishonest conduct and assault, unlawful or unethical behaviour, protection and proper use of the Company's assets and compliance with laws, rules and regulations. The said Code is expected to govern the standards of ethics and good conduct expected of Directors and employees of the Group.</p> <p>Employees are made aware that relevant disciplinary actions will be taken for unethical behaviour and gross misconduct that is in contravention with the ethos of the said Code.</p> <p>Any violation or suspected violation of this Code shall be reported to the Chairman of the Board (in the case of any Director) or KHJ Group's Head of Human Resources or Employee's Head of Department (in all other cases) or such other officer designated by KHJ Group from time to time.</p> <p>The Board has always encouraged employees to report genuine concerns in relation to actual or suspected 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 reporting policies and procedures have been formalised in the Whistleblowing Policy and Procedures.</p> <p>The Code is to be periodically reviewed by the Head of Human Resources Department and evaluated by the RMC as and when necessary to ensure that it continues to remain relevant and appropriate and can be accessed via the Company's website at <a href="http://www.khj-my.com">www.khj-my.com</a>.</p>

<b>Explanation for departure</b> :		
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<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>As part of the Company's continuous effort to ensure that good corporate governance practices are being adopted, the Company has established a Whistleblowing Policy and Procedures to provide a clear line of communication and reporting of concerns for employees at all levels, and provide alternative lines of communication depending on the person(s) who is/are the subject of such concerns.</p> <p>The Board has approved and adopted the Whistleblowing Policy and Procedures on 31 December 2019. It is to facilitate the whistleblower to report or disclose through established channels about any violations or wrongdoings they may observe in the Group without fear of retaliation should they act in good faith when reporting such concerns.</p> <p>Employees and Stakeholders should report their concern at the earliest opportunity so that corrective action can be taken as soon as possible. Improper activities disclosures, including those relating to financial reporting, unethical or illegal conduct, and employment-related concerns may be reported directly to the Chairman of the AC or Independent Directors ("ID") at:</p> <p>Address : Wisma Pang Cheng Yean Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3 Kawasan Perindustrian Balakong Jaya 43300 Seri Kembangan, Selangor</p> <p>Email : <a href="mailto:whistle@khj-my.com">whistle@khj-my.com</a></p> <p>Disclosures can be verbal, via electronic mail or in writing and forwarded in a sealed envelope to the abovementioned contact person(s) labelled with a legend such as "To be opened by the Chairman or AC or ID only".</p> <p>In the financial year ended ("FYE") 31 December 2019, none of the designated persons have received any report or concerns vide the abovementioned communication and feedback channels.</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 4.1

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 has seven (7) Directors comprising of one (1) MD, one (1) Executive Director, one (1) Senior Independent Non-Executive Director, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director for the FYE 31 December 2019 and is in compliance with the Rule 15.02(1) of the ACE Market Listing Requirements (“ACE LR”) and Practice 4.1 of the Malaysian Code on Corporate Governance 2017 (“MCCG”).</p> <p>The Board comprises members from various professions with individual personalised quality, expertise, skills and relevant market and industry knowledge and ensures at all times that necessary financial and human resources are in place for the Company to meet its strategic objectives. The Board will continue to monitor and review the Board size and composition as may be needed.</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 4.2**

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>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	Currently, none of the Independent Non-Executive Directors of the Company have exceeded the cumulative term of nine (9) years.	
<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 4.3 - 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>	:	

**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>In recommending the appointment of Directors and Senior Management, the Nomination Committee (“NC”) considers salient attributes such as mix of skills and experience, strengths, expected contribution, independence (where applicable) and the multiple facets of diversity to ensure a balanced mix of talents on the Board and Senior Management level.</p> <p>The Board, alongside the NC, undertakes periodic reviews of the composition of the Board and Senior Management to ensure that they remain diverse.</p> <p>The current composition of the Board includes a diverse mix of skill sets, knowledge and experience. The appointment of Senior Management personnel is also based on pre-determined criteria which includes skill sets and leadership qualities, driven by their respective job descriptions.</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>	:	The Company has formalised the Diversity Policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board of Directors and in Senior Management positions.  Currently, the Board comprises three (3) female Directors, namely Ms. Pang Shu Ming, Ms. Goh Poh Teng and Ms. Kor Yann Ning, equivalent to 38% women representation on 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

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the NC. The Board relies on the existing network and referrals from existing Directors, Senior Management and shareholders and/or other consultant/adviser as primary means to source for new Directors. The Board will also refer to independent sources such as Directors' registry, open advertisements or independent search firms for potential candidates.</p> <p>Thus far, the Company has not utilised any independent sources for the recent appointments of new director, whereby the appointment of Mr. Hew Moh Yung after the Company was listed was based on the objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender, in accordance with Practice 4.4 of the MCCG.</p> <p>Notwithstanding the above, the appointment of the Independent Directors, for the inclusion into the Company's Prospectus, was to some extent, reviewed by the regulators and the Securities Commission with regards to their suitability, experience, calibre and gender.</p> <p>The Board will utilise external and independent sources when necessary.</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 NC is chaired by Mr. Chew Soo Lin, a Senior Independent Non-Executive Director of the Company, who was appointed as the Chairman on 31 October 2018.  The Board recognises the need for Chairman of NC to be independent to ensure objectivity and independent judgement during deliberations.	
<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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company was listed on 8 July 2019. A full Board evaluation will only be carried out for the FYE 31 December 2019 in 2020.	
<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 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>In setting the remuneration of Directors, the Board is guided by the Directors' and Senior Management's Remuneration Policy which was adopted on 31 December 2019. The Executive Directors shall not participate in decisions regarding their individual remuneration.</p> <p>As a standing procedure, the remuneration for Directors and Senior Management will be reviewed by the Remuneration Committee ("RC"), in accordance with the TOR of the RC, prior to making its recommendations to the Board for approval.</p> <p>The Directors' and Senior Management's Remuneration Policy and accompanying procedures are disclosed on the Company's website at <a href="http://www.khj-my.com">www.khj-my.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 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>	:	The RC of the Company comprises only Non-Executive Directors with a majority of them being IDs. The RC is governed by its TOR which is published on the Company's website at <a href="http://www.khj-my.com">www.khj-my.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**

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>	:	Detailed disclosure on named basis for the remuneration of individual Directors which include their fees, salary, bonus, benefits in-kind and other emoluments is provided in the Corporate Governance Overview Statement of the Company's Annual Report 2019.	
<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 remuneration of the Executive Directors and Senior Management (in bands of RM50,000) during the FYE 31 December 2019 were disclosed in the Corporate Governance Overview Statement ("CGOS").</p> <p>The Board has considered this practice and is of the opinion that the disclosure of the top five (5) Senior Management's remuneration on a named basis would not be in the best interest of the Group and believes that the non-disclosure of the information on key personnel and their remuneration will provide a better job security to the Executive Directors and Senior Management and encourage them to serve longer with the Company. This will in turn, be in the best interest of the Company as opposed to a frequent turnover which may affect the Company's operation and morale.</p> <p>The Board ensures that the remuneration of Executive Directors and Senior Management is fair and commensurate with the performance of the Company and the contribution made by the Executive Directors and Senior Management.</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**

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 AC comprises four (4) members who are exclusively Independent Non-Executive Directors.</p> <p>The Chairman of the AC is Mr. Chew Soo Lin while the Chairman of the Board is Mr. Pang Kim Hin.</p> <p>The positions of Board Chairman and AC Chairman assumed by different individuals allows the Board and AC to objectively review their findings and recommendations.</p> <p>To ensure continuous compliance with this Practice, the Board has:-</p> <ul style="list-style-type: none"><li>• Upon the recommendation of the AC, approved the amendments to the AC's TOR to include such separation of office; and</li><li>• Approved the update to the Board Charter to include such separation of office.</li></ul> <p>The duties and responsibilities of the Chairman of the AC are set out in the AC's TOR which is available on the Company's website at <a href="http://www.khj-my.com">www.khj-my.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**

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>During the FYE 31 December 2019 and to date, none of the AC members was a former key audit partner of the Group.</p> <p>The TOR of the AC requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.</p> <p>The TOR of the AC is available on the Company’s website at <a href="http://www.khj-my.com">www.khj-my.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

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>	:	<p>The AC has adopted an External Auditors Assessment Policy on 31 December 2019 to assess the suitability, objectivity and independence of its External Auditors. In this respect, the AC conducts yearly assessment on the External Auditors' suitability, objectivity and independence covering areas such as professional conduct, skills, performance, experience, quality control in audit reviews and timeliness, independence and audit fees.</p> <p>For the FYE 31 December 2019, the AC has reviewed the suitability, objectivity and independence of the External Auditors, namely Messrs. Deloitte PLT, and was satisfied that the External Auditors have carried out their work independently and recognised that the provision of non-audit services by Deloitte PLT for the FYE 31 December 2019 did not in any way impair their objectivity and independence as the external auditors of the Company.</p> <p>The External Auditors have also provided a confirmation of their independence to the AC that they are and have been independent throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements.</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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The AC of the Company comprises solely of IDs.  The Board firmly believes the AC would be able to provide impartial and unbiased views along with the relevant check and balances on matters relating to audit of the Company with its current composition.

### 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>	:	The AC members possess a wide range of necessary skills and are financially literate. Their profiles are set out in the Profile of Directors in the Annual Report of KHJ for the FYE 31 December 2019.  All members of the AC have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
<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>	:	<p>The Board assumes its overall responsibility in establishing a risk management framework and maintaining a sound system of risk management and internal control throughout the Group which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations, not limiting to financial aspects of the business but also operational and regulatory compliance.</p> <p>The Group has put in place an effective risk management framework which was approved on 29 November 2019 to identify and assess the risks faced by the Group and thereafter, to implement and monitor appropriate internal controls to manage and mitigate those risks.</p> <p>The Group has engaged an Independent professional firm, Sterling Business Alignment Consulting Sdn Bhd ("<b>Sterling</b>"), to review the Internal Control systems to determine if the internal control procedures have been complied with as well as to make recommendations to strengthen the system. The AC has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The ultimate objectives are to protect the Group's assets and safeguard shareholders' investments.</p> <p>The RMC will assess and monitor the efficacy of the risk management controls and measures taken, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to the internal audit function for the Group.</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

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 has an ongoing process of identifying, assessing, evaluating and managing significant risks to achieve the objectives and strategies of the Group. The Board and Management practice proactive significant risks identification, evaluation and management in the processes and activities of the Group, particularly any major proposed transactions, changes in nature of activities and/or operating environment or when venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed and maintained at a level acceptable to the Board.</p> <p>In addition, the process of identifying, evaluating, monitoring and managing significant risks is embedded in the various work processes and procedures of the respective operational functions and Management team. Any significant risk issues and action plans would be reviewed and discussed at management meetings, RMC meetings and quarterly AC meetings.</p> <p>Details of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control on page 64 to page 66 of the Company's Annual Report 2019.</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**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The RMC Committee, comprising majority of IDs, has been assisting the Board in carrying out, among others, the responsibility of overseeing risk management of the Group.</p> <p>The TOR of the RMC can be accessed on the Company's website at <a href="http://www.khj-my.com">www.khj-my.com</a>.</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 Group's internal audit function is outsourced to an independent professional firm which has full access to the AC for clarification and reporting purposes.</p> <p>The internal audit function undertakes an independent assessment on the internal control of the Group on an annual basis and provides assurance to the AC that no material issue or major deficiency has been noted which would pose a high risk to the overall system of internal control under review.</p> <p>To ensure that the responsibility of the internal audit function is fully discharged, the AC has reviewed and approved the internal audit plan during the FYE 2019 to ensure that the internal audit scope and coverage of the Group's operations is adequate.</p> <p>The Head of internal audit reports directly to the AC and their performance is reviewed by the AC on an annual basis.</p> <p>A summary of the activities undertaken by the Internal Auditors for the FYE 31 December 2019 is set out in the Statement on Risk Management and Internal Control on page 65 of the Annual Report 2019.</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>The Group has appointed an outsourced internal audit service provider, Sterling, to carry out the internal audit function.</p> <p>The assessment and evaluation of the internal audit review are based on the standards issued by the International Standards for the Professional Practice of Internal Auditing and the Internal Control framework model by Committee of Sponsoring Organizations of the Treadway Commission, as well as applicable regulatory rules and practices, such as ACE LR of Bursa Securities, the Act, and MCCG.</p> <p>The audit personnel from Sterling are free from any relationships or conflicts of interest, which could impair the objectivity and independence.</p> <p>Details of the audit personnel from Sterling are set out in the CGOS.</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 11.1

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 has adopted and approved the Corporate Disclosure Policy on 31 December 2019 and recognises the importance of maintaining transparency and accountability to its stakeholders (including its shareholders and investors) and to timely disseminate material information of the Group's performance and any significant developments affecting the Group.</p> <p>The Group's corporate proposals, quarterly and annual financial results are announced on Bursa Securities on a timely basis, and corporate governance information such as Board Charter, Whistleblowing Policy and Procedures, Directors' and Senior Management's Remuneration Policy, TOR of AC, NC, RC and RMC, and other corporate policies are available for public access on the Company's website at <a href="http://www.khj-my.com">www.khj-my.com</a>.</p> <p>The Annual General Meeting ("AGM") and extraordinary general meeting are the principal forums for dialogue with public shareholders. Shareholders may enquire about the resolutions being proposed at the meeting and the financial performance and business operations in general during the open question and answer session.</p> <p>The Group's website at <a href="http://www.khj-my.com">www.khj-my.com</a> serves as a vital communication channel for investors, shareholders, business partners and clients to access corporate information, news and events related to the Group. The website is updated periodically to reflect the developments within the Group.</p> <p>The Board has also identified Mr. Pang Kim Hin and Mr. Hew Moh Yung to address any valid and appropriate issues raised by shareholders at <a href="mailto:corporate@khj-my.com">corporate@khj-my.com</a>. The Chairman of the Board, MD and Senior Independent Non-Executive Director will meet with analysts, institutional shareholders and investors on an ad-hoc basis.</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 does not fall under the category of “Large Companies” as defined in the MCCG.	
<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>The Notice of the forthcoming 39th AGM will be despatched to all shareholders at least 28 days prior to the meeting, which will outline the resolutions to be tabled during the meeting. The Notice will be accompanied with explanatory notes and background information where applicable to provide clarity on the matters that will be decided at the AGM.</p> <p>In order to achieve the widest possible dissemination, the Notice of AGM will be published in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities and on the Company's website at <a href="http://www.khj-my.com">www.khj-my.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**

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>	:	<p>This will be the first AGM to be held by the Company after its listing on the ACE Market of Bursa Securities. All the eight (8) Directors will be present in person to engage directly with the shareholders and will be accountable for their stewardship of the Company.</p> <p>Amongst them will be the Chairman of the AC, RC, NC and RMC respectively.</p> <p>The Directors, Senior Management and External Auditors will be in attendance to respond to any queries that the shareholders may have. Officers of the Company will also be present to handle other face-to-face enquiries from the shareholders.</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 12.3

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 Company held its 38th AGM at its office in Seri Kembangan, Selangor Darul Ehsan on 22 April 2019 before it was listed on 8 July 2019.</p> <p>In light of the Movement Control Order (“MCO”) as announced by the Government of Malaysia with effect from 18 March 2020 until Conditional MCO on 9 June 2020, the Board will determine the appropriate time to schedule the 39th AGM of the Company and the Notice of the 39th AGM will be announced in due course.</p> <p>The Company is closely monitoring the situation from the COVID-19 pandemic and would announce any material information that arises during this period, if necessary. All Directors as well as members of Senior Management are expected to be present at the forthcoming AGM to respond to any enquiries from the shareholders.</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>	:	

**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.*

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