

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0036
COMPANY NAME : KEY ALLIANCE GROUP BERHAD
FINANCIAL YEAR : March 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

| | |
|---|--|
| Application | : Applied |
| Explanation on application of the practice | : <p>The Board leads KAG and plays a strategic role in overseeing the Group's objectives, direction, goals and overall corporate governance to ensure that the strategic plans of the Group are implemented and accountability is monitored well. The following are the key matters of the Company reserved for the Board's approval:-</p> <ul style="list-style-type: none">• Reviewing and approving the financial results, strategies, business plan and policies;• Overseeing and evaluating the conduct of the Group's businesses;• Ensuring competent management;• Ensuring the establishment of risk management framework and policies;• Reviewing the adequacy and integrity of the Group's systems of internal control and management systems; and• Acquisition or disposal of companies within the Group. <p>The Board reserved certain powers for itself and has delegated certain matters, such as the day-to-day management of the Group to the Managing Director. The Non-Executive Directors including the Chairman are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management.</p> <p>The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group. In this manner, the Non-Executive Directors fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgement on issues being deliberated and act in the best interest of the Group, its stakeholders and shareholders,</p> |

| | | |
|---|--|--|
| | <p>including minority shareholders. There is a schedule of key matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group are in its hands.</p> <p>In order to ensure the effective discharge of its function and responsibilities, the Board has established a Board Charter for the Group and approved the respective Terms of Reference ("ToR") for the relevant Board Committees where specific powers of the Board are delegated to the relevant Board Committees. Board Committees comprise Audit and Risk Management Committee ("ARMC"), Remuneration Committee ("RC"), Nomination Committee ("NC") and Share Issuance Scheme ("SIS") Committee ("SISC") as set out therein.</p> <p>Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairman and/or Chairperson of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings. The Board reviews the respective Board Committees' authority and ToR from time to time to ensure their relevance and enhance its efficiency. The ultimate responsibility for the final decision on all matters, however, lies with the Board of Directors as a whole.</p> <p>The ToR of each of the Board Committees as approved by the Board is available on the Company's corporate website.</p> | |
| <p>Explanation for departure :</p> | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure :</p> | | |
| <p>Timeframe :</p> | | |

Intended Outcome

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

Practice 1.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Non-Executive Chairman is not related to the Executive Directors. He is responsible for the Board's effectiveness and conduct, implementing the Group's policies, business plans and executive decision making and is assisted by the Executive Director.</p> <p>The Non-Executive Chairman also promotes an open environment for debate and ensures effective contributions from Non-Executive Directors. He also exercises control over the quality, quantity and timeliness of information flow between the Board and Management. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management.</p> <p>At a general meeting, the Non-Executive Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.3

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

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Company practises a division of responsibilities between the Non-Executive Chairman and the Managing Director. Their roles are separated and clearly defined to ensure a balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 1.4

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company Secretary of KAG, has the requisite credentials and is competent and suitably qualified to act as company secretary under Section 235(2) of the Companies Act 2016 ("the Act"). The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her functions. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.</p> <p>The Company Secretary supports the Board by ensuring that all Board meetings are properly conducted and adhered to board policies and procedures, rules, relevant laws and best practices on CG and deliberations at the Board and Board Committee meetings as well as follow-up on matters arising are well captured and recorded. The Company Secretary also keeps the Board updated on changes in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.</p> <p>The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The removal of the Company Secretary is a matter for the Board, as a whole to decide.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

| | | |
|------------------|---|--|
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 1.5

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview.</p> <p>Prior to the Board meetings, the agenda for each meeting together with a full set of the board papers containing the information relevant to the business of the meetings are circulated to the Directors at least seven (7) days before the meeting. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.</p> <p>In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, approvals will be obtained via circular resolutions which are supported with information necessary for an informed decision.</p> <p>The Directors are also notified of any corporate announcement(s) released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.</p> <p>In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the</p> |

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

Intended Outcome

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

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

Practice 2.1

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises the importance of establishing a single source of reference for Board activities through a Board Charter as recommended by the Code. As such, a Board Charter was formalised on 24 November 2014 to clearly delineate the roles of the Board, Board Committees and Management in order to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Board Committees and Management, including the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities.</p> <p>The Board reviews and updates its Charter regularly as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. Any subsequent amendment to the Charter can only be approved by the Board. The salient features of the Board Charter was last reviewed on 28 May 2018 and is available on the Company's corporate website.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.1

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

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company's Code of Ethics, requires all officers and employees to observe high standards of business and personal ethics in carrying out duties and responsibilities. As employers and representatives of KAG, or any of its subsidiaries, they must practice honesty and integrity in fulfilling their duties and responsibilities, and comply with all applicable laws and regulations. It is thus the responsibility of all officers and employees to comply with the Code of Ethics and to report violations or suspected violations thereto.</p> <p>The salient features of the Code of Ethics are accessible by the public through the Company's corporate website.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 3.2

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board also has a separate Whistle-Blowing Policy stating the appropriate communication and feedback channels to facilitate whistleblowing. The implementation of such policy is in line with Section 587 of the Act where provisions have been made to protect KAG's officers or stakeholders who make disclosures on breach or non-observance of any requirement or provision of the Act or on any serious offence involving fraud and dishonesty.</p> <p>The Whistle-Blowing Policy is accessible by the public through the Company's corporate website.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board comprises of four (4) members, of whom one (1) is Managing Directors, one (1) is Independent Non-Executive Chairman and two (2) are Independent Non-Executive Directors. In this respect, the Board comprises a majority of Independent Directors, representing 75% of the Board. In addition, KAG also complies with the requirement of the Listing Requirements for Independent Non-Executive Directors to make up at least one-third (1/3) of the Board membership.</p> <p>The Board views the present number of its Independent Directors as ideal to provide the necessary check and balance to the Board's decision-making process. There is a good mix of skills and core competencies in the current Board membership. The Board is of the opinion that the existing three (3) Independent Non-Executive Directors, with their extensive knowledge and experience would be able to represent the investment of the public and the minority shareholders. The Board is, however, open to board changes as and when appropriate. The profile of each of the Director is set out on pages 5 to 6 of this Annual Report.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.2

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

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

| | | | |
|--|---|--|--|
| Application | : | Not applicable - No independent director(s) serving beyond 9 years | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 4.3- Step Up

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

| | | |
|--|---|---|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>The Board has adopted a nine (9) years policy for Independent Directors. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In the event such Director was to retain as an Independent Director, the Board would have to justify in the notice convening the AGM and seek shareholders' approval the retention of such Independent Director at every AGM.</p> <p>The Board should seek annual shareholders' approval through a two-tier voting process if the retention of such Independent Director was after the twelfth year.</p> |

Intended Outcome

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

Practice 4.4

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company does not set specific criteria for the assessment and selection of new directors and Senior Management personnel. All candidates for appointment and/or election are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the subject candidate.</p> <p>The NC will also be reviewing the composition of respective Board Committee of the Company and carry out the annual assessment exercise annually to ensure its effectiveness in functioning. The Company Secretary will facilitate the NC in carrying out the annual assessment exercise. A set of quantitative and qualitative performance criteria is established as to evaluate and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.5

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board is presently of the view that there is no necessity to fix a specific gender diversity policy. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | However, the Board will endeavor to tap talent from human capital market from time to time with the aim to have at least one (1) female director in its Board in the future. | |
| Timeframe | : | Within 3 years | |

Intended Outcome

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

Practice 4.6

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The screening and evaluation process for potential candidates to be nominated as Directors are delegated to the NC. The process involves the NC's consideration and submission to the Board its recommendation of suitable candidates from either the Management, the existing Board member(s) or major shareholder(s) for the proposed appointment as Directors of the Company. The NC may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairman or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the NC will explain why other sources were not used.</p> <p>The shortlisted candidates whom were not known to the existing Board members, were interviewed by the NC and thereafter, met with the Board of Directors for endorsement of appointment.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.7

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The NC of KAG was established on 29 April 2005 to assist the Board in recommending appointment of new Director(s) and assessing the effectiveness of the Board as a whole.</p> <p>The activities undertaken by NC during the financial year under review are as follows:</p> <ul style="list-style-type: none"> • reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board; • reviewed and recommended the appointment of shortlisted candidates to fill casual vacancies of Directors; • undertook annual assessment of its Independent Directors; • reviewed the training needs for the Directors regularly; and • reviewed the performance of the Board as a whole and the Board Committees, particularly the term of office and performance of the ARMC and each of its members and recommending to the Board the appointment of members of ARMC and other Board Committees established by the Board. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 5.1

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

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

| | |
|---|---|
| Application | : Applied |
| Explanation on application of the practice | <p>The NC will be reviewing the Board's effectiveness in the following key areas of composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance of the Chairman and Managing Director, the time commitment in discharging their role and responsibilities through attendance at their respective meetings as well as the application of good governance principles to create sustainable shareholder's value.</p> <p>The Board will undertake an annual assessment of Independent Directors as to justify whether they continue to bring independent and objective judgement to board deliberations. Peer and self-assessment will be carried out by the Directors and the ARMC members once every year. The results, in particular the key strength and weaknesses identified from the evaluation, will be shared with the Board to allow enhancements to be undertaken.</p> <p>The Company Secretary will facilitate the NC in carrying out the annual assessment exercise via the ARMC evaluation questionnaire, Board members' self and peer evaluation form, Independent Directors' evaluation form, Directors' evaluation form, Board and Board committee evaluation form.</p> <p>From the annual assessment and review conducted for FY2018, the NC was satisfied that all the Managing Director, Non-Executive and Independent Directors on the Board possess sufficient qualification to remain on the Board. Save for the NC members who are also a member of the Board and have abstained from assessing their own individual performance as Director of the Company, each of the NC Members view that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry.</p> <p>As for the Board evaluation, the NC agreed that all the Directors</p> |

| | | |
|---|--|--|
| | <p>have discharged their stewardship duties and responsibilities towards the Company as a Director effectively. The NC further concluded that the Board and Board Committees were functioning effectively as a whole with a high level of compliance and integrity.</p> <p>The NC was also satisfied that the Independent Directors are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. Additionally, each of the Independent Directors has provided an annual confirmation of their independence to the NC and the Board.</p> | |
| <p>Explanation for departure</p> | <p>:</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

Intended Outcome

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

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

Practice 6.1

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

| | | |
|---|---|---|
| Application | : | Partially Departure |
| Explanation on application of the practice | : | <p>The Company's remuneration policy for Directors is formulated to attract and retain individuals of the necessary calibre needed to run the business of the Group successfully. The remuneration is structured to link experience, expertise and level of responsibility undertaken by the Directors. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.</p> <p>The salient features of the remuneration policy of the Group is summarised as follows:</p> <ul style="list-style-type: none">a) The salary for Managing Director is set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.b) Directors' Fees are based on a standard fixed fee and are subject to approval by the Shareholders at the AGM.c) Only Managing Director is entitled to benefits-in-kind provided by the Group.d) The RC may obtain independent professional advice in formulating the remuneration package of its Directors. <p>For FY2018, the Board approved the RC's recommendation on remuneration of the Managing Director, remuneration of the Non-Executive Directors, and Directors' fees for FY2018 for the approval of the Shareholders at the Fifteenth (15th) AGM. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.</p> |
| Explanation for departure | : | The remuneration policy is not made available on the Company's corporate website as the Board is of the view that the confidentiality and sensitivity of the features of the Company's remuneration structure which are in supportive of the strategies and long-term vision of the Company will be able to safeguard accordingly. |

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

Intended Outcome

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

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

Practice 6.2

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

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The RC was established on 6 June 2003 and is responsible for recommending to the Board on the remuneration framework as well as the remuneration package of Executive Directors to ensure that rewards commensurate with his contributions to the Group's growth and profitability in order to align the interest of the Director with those of the shareholders. The RC also ensures the level of remuneration for Non-Executive Directors and Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.</p> <p>The activities undertaken by the RC during the financial year under review were as follows:</p> <ul style="list-style-type: none"> Formulated the remuneration policies and remuneration for the members of the Board and Board Committees, and recommended the same to the Board for approval. |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.1

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

| | | |
|--|---|---|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | Disclosure of the Directors' remuneration component in bands width of RM50,000 but not on named basis is made herein due to confidentiality and sensitivity of each remuneration package. The Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in the Corporate Governance ("CG") Overview Statement. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 7.2

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

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | No disclosure of the Key Senior Management's remuneration component on named basis is made herein due to confidentiality and sensitivity of each remuneration package. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |
| | | | |

Intended Outcome

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

Practice 7.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | The positions of Chairman of the ARMC and the Board are held by 2 different individuals. Hence, the objectivity of the Board's review of the ARMC's findings and recommendations will be able to preserve. The Board is of the view that the chairperson of the ARMC has performed the duties as defined and his judgment was not impaired as she is sufficiently independent from Management in leading the discussion on the matters being deliberated and findings as well as recommendations made by the ARMC objectively in the Board meetings. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The ARMC has not adopted a 2-year cooling-off period policy for a candidate whom is a former audit partner before being appointed as a member of the ARMC. | |
| | | However, the said policy currently does not apply to the ARMC given none of the ARMC nor Board members is a former audit partner as at the date of the CG Overview Statement. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The external auditors fill an essential role by enhancing the reliability of the Company's annual audited financial statements and giving assurance to stakeholders of the reliability of the annual audited financial statements. The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the Management, and if necessary, to the ARMC and the Board.</p> <p>The external auditors are working closely with the internal auditors and tax consultants, without compromising their independence. Their liaison with the internal auditors would be in accordance with International Standards on Auditing (ISA) No. 610: "Considering the Work of Internal Auditing", with the main objective of avoiding duplication of efforts to maximise audit effectiveness and efficiency. The external auditors reviews internal audit reports and discuss findings with internal auditors where necessary.</p> <p>In accordance with the principles set out in ISA No. 260 "Communicating of Audit Matters with Those Charged with Governance", the external auditors have brought to the Board's attention through the ARMC, all the significant accounting, auditing, taxation, internal accounting systems & process control and other related matters that arise from the audit of the financial statements of the Company. The ARMC, without the presence of Executive Board member and Management also meets with the external auditors at least twice during each financial year to exchange free and honest views on issues which the external auditors may wish to discuss in relation to their audit findings.</p> <p>In this regard, the ARMC had on 23 February 2018, assessed the independence of Messr. Afrizan Tarmili Khairul Azhar ("AFTAAS") as external auditors of the Company as well as reviewed the level of non-audit services rendered by AFTAAS to the Company for FY2018. The ARMC had obtained written assurance from AFTAAS confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the</p> |

| | | |
|---|---|--|
| | <p>International Federation of Accountants and the Malaysian Institute of Accountants. The external auditors provided such declaration in their annual audit plan presented to the ARMC prior to the commencement of audit for a particular financial year.</p> <p>The ARMC was satisfied with AFTAAS's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to AFTAAS. Having satisfied itself with their performance and technical competency as well as received the assurance from AFTAAS as stated above, the ARMC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the 15th AGM.</p> | |
| <p>Explanation for departure :</p> | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| <p>Measure :</p> | | |
| <p>Timeframe :</p> | | |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|---|
| Application | : | Adopted |
| Explanation on adoption of the practice | : | <p>The ARMC comprises three (3) Non-Executive Directors of whom all are Independent Directors. On the composition, please refer to the Corporate Information of this Annual Report on page 2 to 3.</p> <p>The Board is of the view that the ARMC is able to assist the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards.</p> |

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The ARMC chairman, Mr Lee Kien Fatt together with all ARMC members, reviewed the Company's financial statements and Annual Audited Financial Statements in the presence of external auditors, prior to recommending them for the Board's approval and issuance to stakeholders.</p> <p>To assist the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards, all the ARMC members will undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.</p> <p>The Board, through the recommendation of the NC and with the exception of the Directors who are also ARMC is generally satisfied that all the ARMC members are financially literate and have sufficient understanding of the Company's business.</p> <p>Further details on the external programs attended by the ARMC members are set out in the ARMC Statement of the Annual Report on page 14.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

| | | | |
|------------------|---|--|--|
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 9.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises the importance of managing risks and maintaining a sound system of internal controls which cover risk management, financial, organisational, operational and compliance controls.</p> <p>On-going reviews are performed on a quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Company's Management Team as well as the Group's independent and sufficiently resourced internal audit function. The findings of the internal audit function are regularly reported to the ARMC.</p> <p>Nevertheless, the Board has established Enterprise Risk Management framework during the financial year under review. The ARMC is tasked to review the risk management policies and internal control procedures formulated by Management and make relevant recommendations to the Board for approval from time to time as to ensure, as far as possible, the protection of its assets and its shareholders' investments.</p> <p>Details of the Company's risk management and internal controls framework are further elaborated in the ARMC Report and the Statement on Risk Management and Internal Control of this Annual Report and page 30 to 32 respectively.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

| | | | |
|------------------|---|--|--|
| Timeframe | : | | |
|------------------|---|--|--|

Intended Outcome

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

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

Practice 9.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The responsibilities of identifying and managing risks are delegated to the respective Heads of Department ("HoD"). The ARMC is responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.</p> <p>The ARMC will assist the Board in implementing and overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.</p> <p>Main features of the Company's risk management framework and internal controls system are further elaborated in the Statement on Internal Control and Risk Management of this Annual Report on page 30 to 32.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

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

Practice 9.3 - Step Up

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

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 10.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The Board has delegated the implementation and monitoring of the internal control system to the Management and has engaged the services of an independent assurance provider to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the ARMC on its activities based on the approved annual internal audit plans. The principal role of the internal auditors is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 10.2

The board should disclose–

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal auditors, to NGL Tricor Governance Sdn Bhd, a professional service firm (“Outsourced IA”). The internal audit personnel assigned by the Outsourced IA are free from any relationships or conflicts of interest, which could impair their objectivity and independence pursuant to the written declaration made by them.</p> <p>The Outsourced IA is headed by its director, Mr Chang Ming Chew, who is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia and the Association of Chartered Certified Accountants (UK). The Outsourced IA is staffed by approximately eighteen personnel of all levels, including the directors. The Outsourced IA performed its work in accordance with a recognized framework. The internal audit function has been mandated to continually assess and monitor the Group’s system of internal control. The internal audit function adopts a risk-based approach and prepares its audit strategy and plans based on the risk profiles of individual business unit of the Group. Premised on the performance assessment by the ARMC and feedback from the Management Team, the AC is satisfied that the internal auditors are free from any relationships or conflicts of interest with those involved which could impair their objectivity and independence and is capable of carrying out internal audit reviews.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |

| | | | |
|------------------|---|--|--|
| Timeframe | : | | |
|------------------|---|--|--|

Intended Outcome

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

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

Practice 11.1

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board recognises the importance of prompt and timely dissemination of information to shareholders and investors, in order for these stakeholders to be able to make informed investment decisions. KAG's website incorporates an Investor Relations ("IR") section which provides all relevant information on the Group and is accessible by the public. This section enhances the IR function by including share price information, all announcements made by the Company, annual reports, Board Charter and the corporate and governance structure of the Company.</p> <p>The Company will continuously enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time. The announcement of the quarterly financial results is also made via Bursa LINK in a timely manner as required under the Listing Requirements in ensuring equal and fair access to information by the investing public.</p> <p>To promote the dissemination of the financial results of the Company to investors, shareholders and media as well as to keep the investing public and other stakeholders updated on the progress and development of the Group's business, the Board may conduct the open briefings from time to time in ensuring constant interactions with existing and prospective investors. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Group's corporate website.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |

| | | | |
|------------------|---|--|--|
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

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

Practice 11.2

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The Company has provided concise information in relation to its strategy, performance, governance and prospects through the management discussion and analysis and the statement of corporate social responsibility in this Annual Report on page 8 to 10 and page 33 respectively. This is to ensure that the stakeholders are well informed of the business and performance of the Company and to promote transparency and accountability of the Company. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | To further improve the quality of information available to the shareholders and stakeholders and promote greater transparency and accountability on the part of the Company, the Board shall prepare a full sustainability statement and publish in the annual report to be issued for FYE2019. |
| Timeframe | : | Within 1 year |

Intended Outcome

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

Practice 12.1

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company dispatches its notice of AGM to the Shareholders at least twenty-one (21) days before the AGM, in advance of the notice period as required under the Act and the Listing Requirements. The Board believes that the current practice would still allow the Shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney together with the Notice of AGM, which provides information to shareholders with regard to, among others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

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

Practice 12.2

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM. The proceedings of the AGM include the Company's operating and financial performance for FY2018. The Chairman will also invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote and/or during the Q&A session.</p> <p>The Directors, Management and external auditors will be in attendance to respond to the shareholders' queries. The Board will also share with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group, if any.</p> <p>In addition to the above, the Company will look into allocation of time during AGM for dialogue with the Shareholders, if necessary to address the issues concerning the Group and to make arrangement for Officers of the Company to present and handle other face-to-face enquiries from the Shareholders.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 12.3

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

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

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | In order to encourage shareholders to attend and participate in the general meetings, the Company will always make sure that its general meetings are to be held at an accessible location but not in remote areas. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | The Board will consider leveraging technology to facilitate voting in absentia from time to time, to more fairly reflect shareholders' views and to ensure accurate and efficient outcomes of the voting process. | |
| Timeframe | : | No specific timeline given | |

**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.

Click here to enter text.