

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : KGB 0151  
**COMPANY NAME** : KELINGTON GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

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

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<ul style="list-style-type: none"> <li>• The Board leads and exercises effective controls over the Group whereby collective decisions and/or close monitoring are conducted on issues relating to strategy, performance, resources, standard of conduct and financial matters. The matters reserved for the collective decision of the Board are listed in the Board Charter of the Company.</li> <li>• The Board has delegated day-to-day management of the Group to the Executive Directors and the senior management team and specific responsibilities to the Board Committees.</li> <li>• The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing, etc.</li> </ul> <p>The roles and responsibilities of the Board are set out in the Board Charter, and the Board Committees' roles and responsibilities in discharging its functions which had been delegated by the Board are set out in each respective Board Committees' Terms of Reference.</p> <p>The Board Charter and the Board Committees' Terms of Reference of the Company are available on the Company's website at <a href="http://www.kelington-group.com">www.kelington-group.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 1.2

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>As provided under the Company's Board Charter, the Chairman is responsible for, among others:</p> <ul style="list-style-type: none"> <li>• providing leadership for the Board so that the Board can perform its responsibilities effectively;</li> <li>• maintaining a relationship of trust with and between the Executive and Non-Executive Directors;</li> <li>• ensuring the provision of accurate, timely and clear information to Directors;</li> <li>• ensuring effective communication with shareholders and relevant stakeholders;</li> <li>• arranging evaluation of the performance of the Board, its Committees and individual Directors;</li> <li>• facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors;</li> <li>• facilitating the on-going development of all Directors; and</li> <li>• leading the Board in establishing and monitoring good corporate governance practices in the Company.</li> </ul>	
<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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The roles of the Chairman and Chief Executive Officer (“CEO”) have not been separated and both functions continue to be held by Ir. Gan Hung Keng.</p> <p>The Company has yet to identify a Chairman who is sufficiently suitable for the role with the right experience, strength and understanding of the Group’s business operations as the Group involves in the high technologies industry which provides end-to-end engineering solutions for ultra high purity gas and chemical delivery system.</p> <p>The Board has established the roles and responsibilities of the Chairman which are distinct and separate from the duties and responsibilities of the CEO as set out in the Board Charter.</p> <p>All decisions of the Board are made unanimously or by consensus. To ensure balance of power and authority on the Board, the Board comprises a majority of Independent Directors in order to provide more effective oversight of Management as well as to support objective and independent deliberation review and decision-making.</p> <p>The Company has also established a Whistleblowing Policy whereby the employees and other connected individuals can report fraud and other abuse directly to the Chairman of the AC.</p> <p>The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.</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>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

### 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 Company Secretary of the Company is qualified to act as secretary under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>• Attends all Board and Committee meetings and Annual General Meeting and ensures that deliberations and decisions at the meetings are accurately minuted and properly kept in the minutes books;</li><li>• Ensures compliance of the Company's Constitution, Listing Requirements, Companies Act, 2016, Malaysian Code on Corporate Governance and other regulatory requirements;</li><li>• Advises the Board on issues relating to the Company's Constitution, corporate governance best practices, Companies Act 2016, and Listing Requirements; and</li><li>• Undertake the statutory duties as prescribed under the Companies Act 2016 and the Listing Requirements.</li></ul>
<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>Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis for an effective discharge of the Board's responsibilities.</p> <p>The Board papers and/or Committee papers will be circulated to all Directors not less than five (5) business days prior to the meeting, to facilitate decision making by Directors and to deal with matters arising from such meetings.</p> <p>Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.</p> <p>Deliberations and decisions made at Board and Board Committees meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The minutes are then circulated to the Directors and Board Committees members for perusal. The minutes are confirmed as correct record by the Board and Board Committees at the following meeting.</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 is guided by its Board Charter which clearly sets out the Board's roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter, was last reviewed and approved by the Board on 26 February 2018.</p> <p>The updated version of the Board Charter is available on the Company's website at <a href="http://www.kelington-group.com">www.kelington-group.com</a>.</p> <p>To enhance accountability, the Board has established clear functions reserved for the Board, Board Committees, individual Directors and Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands.</p> <p>The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, Board Chairman, Board Committees, Executive Directors and Non-Executive Director as well as the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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 Group is committed to achieving and monitoring high standards pertaining to behaviour at work.</p> <p>The Board is strictly adhered to the Company’s Code of Conducts and Ethics in discharging its oversight role effectively. The Code of Conducts and Ethics require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group’s business and professional practice and act in good faith in the best interests of the Group and its shareholders.</p> <p>The Code of Conducts and Ethics has been incorporated into the Board Charter of the Company, which is available on the Company’s website at <a href="http://www.kelington-group.com">www.kelington-group.com</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a Whistleblowing Policy for the Group as a measure to promote the highest standard of corporate governance. The Whistleblowing Policy outlines the avenues for Directors, employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.</p> <p>Any employee who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the Chairman of the Audit Committee in writing. Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.</p> <p>The Whistleblowing Policy is available on the Company's website at <a href="http://www.kelington-group.com">www.kelington-group.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**

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>	:	The Board currently consists of six (6) members, comprising one (1) Executive Chairman, one (1) Executive Director and four (4) Independent Non-Executive Directors. Thus, the Board has a majority presence of Independent Directors to bring objectivity to the oversight function of 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 4.2**

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>	:	Not applicable	
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Company's Board Charter states that the tenure of an Independent Director shall be for a cumulative term of nine (9) years since appointment as Independent Director. The Independent Director may continue to serve beyond the 9-year tenure provided that the Independent Director is re-designated as a Non-Independent Director. Where the Board is of the view that the Independent Director can continue to serve beyond the 9-year tenure, it must justify and seek annual shareholders' approval.

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of diverse Board and Senior Management.</p> <p>The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members.</p> <p>The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.</p> <p>Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board is continuing to work towards addressing this as and when vacancies arise and suitable candidates are identified. The Company's prime responsibility in new appointments is always to select the best candidates available.</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 Board acknowledge the importance of boardroom diversity and takes cognisant of the recommendation of the Codes to have at least 30% female Director.  On 26 February 2018, the Board adopted a Boardroom Diversity Policy outlined its approach in achieving the target.  The Board, through the Nomination Committee will consider the female representation when a vacancy arises and/or suitable candidates are identified. The Company's prime responsibility in new appointments is always to select the best candidates available.	
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board may utilise the independent sources if there is a need to source for candidate with the relevant skills, expertise, integrity, character, commitment, etc.	
<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 4.7**

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>	:	<p>The Nominating Committee (“NC”) comprises all Independent Non-Executive Directors, and is chaired by Mr Tan Chuan Yong, the Senior Non-Executive Independent Director of the Company.</p> <p>The Term of Reference of the NC is available in the corporate website of the Company, <a href="http://www.kelington-group.com">http://www.kelington-group.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

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board undertakes annual evaluation to determine the effectiveness of the Board. The Board evaluation comprises a Board Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman’s role and responsibilities. For Individual Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.</p> <p>The results of the assessment would form the basis of the Nomination Committee (“NC”)’s recommendation to the Board for the re-election of Directors at the next Annual General Meeting (“AGM”).</p> <p>Based on the annual assessment conducted, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company’s forthcoming AGM. All assessments and evaluations carried by the NC in discharge of its functions were properly documented.</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 6.1

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>	:	The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive to the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.  The remuneration policy is available on the Company's website at <a href="http://www.kelington-group.com">www.kelington-group.com</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Remuneration Committee (“RC”) which comprise exclusively Non-Executive Directors.</p> <p>The RC reviews and recommends to the Board annually the Board’s remuneration package and/or reward payments that reflect their respective contributions for the year, and which are dependent on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.</p> <p>The RC has written terms of reference (“TOR”) which deals with its authority and duties, and these TOR are disclosed on the Company’s website at <a href="http://www.kelington-group.com">www.kelington-group.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**

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>	:	A detailed disclosure on named basis for the remuneration of each director can be found under the Corporate Governance Overview Statement in the Company's 2017 Annual Report.	
<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 Company notes the need for transparency in the disclosure of its key senior management remuneration, the Company is of the opinion that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues.</p> <p>The Key Management Personnel Compensation of the Group and the Company was disclosed in Note 36 of the Audited Financial Statement as at 31 December 2017.</p> <p>The Company is of the view that the interest of the shareholders will not be prejudiced as a result of such non-disclosure on named basis of the remuneration of the Senior Management personnel who are not Directors.</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>	:	The Audit Committee ("AC") consisting of three (3) members, all of whom are Independent Non-Executive Directors.  The AC is chaired by Mr Chan Thian Kiat, a Senior Independent Non-Executive Director who is distinct from the Chairman of 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**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee (“AC”) has adopted a policy that 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. and the said policy has been incorporated in the terms of reference (“TOR”) of the AC.</p> <p>The TOR of the AC is available at the Company’s website at <a href="http://www.kelington-group.com">www.kelington-group.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>An annual assessment of the competency and independence of the external auditors was conducted by the Audit Committee ("AC") via a set of assessment questionnaire. In assessing the external auditors' performance and suitability, the AC considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors.</p> <p>The AC received assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accounts.</p> <p>Based on the outcome of the annual assessment conducted in April 2018 on the external auditors' performance, technical competence and professional independence, the AC recommended to the Board for the re-appointment of Messrs. Crowe Horwath as external auditors of the Company for the financial year ending 31 December 2018.</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 Audit Committee comprises all Independent Directors.

### 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>	:	All members of the Audit Committee ("AC") are financially literate and assist the Board to oversee and scrutinise the process and quality of the financial reporting and ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.  The AC members undertake continuous professional development and have annual discussion with the external auditors on financial reporting development to keep themselves abreast of the 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 oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal control. The Board is responsible to define the level of risk appetite, approval and oversee the operation of the Group's Risk Management Framework, assess the effectiveness and reviewing any major/ significant risk facing the Group.</p> <p>The Audit Committee ("AC") oversees the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management regularly together with the Internal Auditors and makes relevant recommendations to Management to update the Group Risk Profile. The AC also discusses with the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks.</p> <p>The Board has been integrating the risk issues into their decision making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.</p> <p>The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.</p> <p>The Board has outsourced the internal audit function to an independent professional service firm, namely Axcelasia Columbus Sdn. Bhd. to provide an independent appraisal over the system of internal control of the Group to the AC.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.2

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>	:	The Statement on Risk Management and Internal Control as included in 2017 Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2017.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</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 10.1

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 Internal Audit (“IA”) function of the Company is outsourced to an independent professional service firm, Axcelasia Columbus Sdn. Bhd., which provides support to the Audit Committee (“AC”) in monitoring and managing risks, controls and governance processes of the Group.</p> <p>The main role of the IA function is to review the effectiveness and adequacy of the existing internal control policies and procedures and to provide recommendations, if any, for the improvement of the control policies and procedures. The Internal Auditors has direct access and report all the matters of internal control to the AC.</p> <p>Based on the results of the evaluation conducted by the AC during the financial year, the AC noted that the IA function is effective and able to function independently.</p> <p>During the financial year under review, the internal auditors have conducted review on the Group in accordance to the Internal Audit Plan, which have been approved by the AC.</p> <p>Details of the IA function are set out in the AC report in the 2017 Annual Report.</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 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 Company has outsourced the Internal Audit (“IA”) function to Axcelasia Columbus Sdn. Bhd. to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group’s internal control system.</p> <p>The engagement Executive Director is Mr Mah Siew Hoong who has diverse professional experience in IA, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditors (USA) and has a Certification in Risk Management Assurance (USA).</p> <p>The number of staff deployed for the IA reviews ranges from 5 to 6 staff per visit including the engagement Executive Director. The staff involved in the internal audit reviews possesses professional qualification and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The IA staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and was guided by the International Professional Practice Framework.</p> <p>The information on the IA function is available in the Statement on Risk Management and Internal Control in the 2017 Annual Report.</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 recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. Hence, the Board consistently ensures the supply of clear, comprehensive and timely information to their stakeholders via various disclosures and announcements, including quarterly and annual financial results, which provide investors with up-to-date financial information of the Group. All these announcements and other information about the Company are available on the Company's website at <a href="http://www.kelington-group.com">www.kelington-group.com</a> which shareholders, investors and public may access.</p> <p>The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws and a disclosure committee comprises of Executive Directors and Chief Financial Officer was established in year 2013.</p> <p>In addition, the Directors engage with shareholders at least once a year during the AGM to understand their needs and seek their feedback.</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 Malaysian Code on Corporate Governance.	
		Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>In 2017, the Notice of 17<sup>th</sup> Annual General Meeting (“AGM”) was sent to the shareholders at least 28 days before the AGM, in advance of the 21-days requirement under the Company’s Constitution, the Companies Act 2016 and the Listing Requirements, which providing additional time to the shareholders to allow them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that will be discussed and decided at the AGM.</p> <p>The Notice for the forthcoming 18<sup>th</sup> AGM was given to the shareholders 28 days before the meeting.</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>All the Directors of the Company attended the 17<sup>th</sup> Annual General Meeting held on 13 June 2017 (except for Vice Admiral (Retired) Datuk Haji Jamil Bin Haji Osman) due to prior arrangement.</p> <p>In compliance with the Malaysian Code on Corporate Governance 2017, all the Directors shall endeavour to attend all future general meetings.</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>	:	Departure
<b>Explanation on application of the practice</b>	:	Not applicable
<b>Explanation for departure</b>	:	The number of shareholders of the Company is not large for it to leverage on technology to facilitate the shareholders voting in absentia or having remote shareholders' participation at general meetings.
	:	The 17 <sup>th</sup> Annual General Meeting ("AGM") was held at Tropicana Golf & Country Resort in Petaling Jaya, Selangor. This venue was familiar to most of the shareholders of the Company since several past AGMs were held at the same venue.  Shareholders are entitled to appoint proxy/proxies to attend, participate, speak and vote on their behalf in their absence at a general meetings.
<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 TO 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.*

Not Applicable
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