

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0182
COMPANY NAME : LKL International Berhad (“LKL International” or “the Company”)
FINANCIAL YEAR : September 30, 2021

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.

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors of LKL International ("the Board") is collectively responsible for overseeing the conduct and sustainability of the Company and its subsidiaries' ("the Group") business, assuming the responsibility for succession planning, reviewing the risk management process and internal control system to minimise the downside risks for the Group and to ensure compliance with the relevant rules and regulations applicable to the Group.</p> <p>The Board has the responsibility in leading and directing the Group towards realising long term corporate objectives and increasing shareholders' value. The Board retains full and effective control of the Group's strategic plans, implements an appropriate system of risk management and ensures the adequacy and integrity of the Group's system of internal control.</p> <p>The Board has delegated certain responsibilities to the following Board Committees to assist in the execution of its responsibilities:-</p> <ul style="list-style-type: none">a. Audit and Risk Management Committee ("ARMC");b. Nomination Committee ("NC");c. Remuneration Committee ("RC"); andd. Employees' Share Option Scheme Committee. <p>The roles and responsibilities of the Board are clearly defined in the Company's Board Charter, which is published on the Company's website, www.lklbeds.com. The Board's roles, responsibilities, governance and effectiveness are set out in the Board Charter which was reviewed, revised and approved by the Board on 29 September 2021.</p> <p>The role of the Board Committees is to advise and make recommendations to the Board. However, the ultimate responsibility for the final decision on all matters lies with the Board. The Chairman</p>

	<p>of the respective Committees provides a verbal report on the outcome of their Committee meetings to the Board, and any further deliberation is made at the Board level, if required. Through its Board Committees, the Board provides effective oversight of the Management’s performance, risk assessment and controls over business operations, and compliance with regulatory requirements.</p> <p>Further details on the responsibilities of the Board are also set out in the Corporate Governance Overview Statement (“CG Statement”) in the Company’s Annual Report for the financial period ended 30 September 2021 (“FPE 2021”) (“AR 2021”).</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Currently, there is no Chairman of the Board since the retirement of Tan Sri Datuk Adzmi Bin Abdul Wahab in the 6 th Annual General Meeting ("6 th AGM") held on 13 October 2020.
		The Board is of the view that the strong presence of Independent Directors aided by the Directors in their executive roles enables an orderly and effective functioning Board to provide effective leadership, strategic direction and necessary governance to the Group for the time being. Nevertheless, the Board intends to appoint a Chairman in the near future. The roles and responsibilities of the Chairman of the Board have been clearly defined in the Board Charter which is available on the Company's website.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	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 1.3

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Following the retirement of Tan Sri Datuk Adzmi Bin Abdul Wahab in the 6 th AGM held on 13 October 2020, no Chairman is being appointed since then.	
		The Board of Directors of the Company, notwithstanding that the role of the Chairman of the Board meeting is assumed by the Executive Director, is of the opinion that the element of independence is adequate to provide assurance that there is a balance of power and authority on the Board. The presence of the three (3) Independent Non-Executive Directors provides the necessary checks and balances on the decision-making process of the Board. Nevertheless, the Board intends to appoint a new Chairman of the Board in the near future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by a suitably qualified, experienced and competent Company Secretary. The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfils the functions for which she has been appointed. The Board has unrestricted access to the advice and services of the Company Secretary in discharging its fiduciary duties.</p> <p>The Company Secretary also updates the Board on changes in the regulatory requirements to ensure correct procedures are followed and the Company remains compliant with the relevant rules and regulatory requirements.</p> <p>During the financial period under review, all Board and Board Committees meetings were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.</p> <p>During the financial period under review, the Board was briefed by the Company Secretary on the "Updated Malaysian Code on Corporate Governance 2021" and the latest development on the governance matters involving the Company.</p> <p>All Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary also keeps the Directors and Principal Officers informed of the closed period for dealings in the Company's shares.</p> <p>Overall, the Board is satisfied with the service and support rendered by the Company Secretary to the Board in the discharge of her functions and duties.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors' time planning, an annual meeting calendar is prepared in advance of each new year by the Company Secretary. The calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the Annual General Meeting ("AGM"). The closed periods for dealings in securities by Directors and Principal Officers based on the scheduled dates of meetings for making announcements of the Group's quarterly results were also provided therein.</p> <p>The notices and meeting papers of the Board and Board Committees are generally circulated to the Board and Board Committees at least five (5) working days prior to the dates of meetings. This is to ensure that the Directors have sufficient time to review and peruse the meeting materials from Management for effective deliberation and informed decision making.</p> <p>The deliberations and conclusions of matters discussed in the Board and Board Committees meetings are duly recorded in the minutes of meetings. The draft minutes are circulated for the Board or Committee Chairman's review within a reasonable timeframe after the meetings. The minutes of meeting accurately captured the deliberations and decisions of the Board and/or the Board Committees, including whether any Director abstained from voting or deliberating on a particular matter.</p> <p>The Company Secretary also follows up with Management on the status of action items taken with reference to the previous minutes. These action items would remain as a matter arising in the minutes until they are resolved.</p> <p>All the records of proceedings and resolutions passed are kept at the registered office of the Company.</p>
Explanation for departure	:	

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

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 has formalised and adopted a Board Charter which clearly sets out the roles and responsibilities, composition and balance, operation and processes of the Board. It also serves as a reference point for Board activities and is designed to provide guidance and clarity to Directors and Senior Management with regards to the roles of the Board and its Committees, the role of the Chairman and Executive Directors, as well as the Board's governance structure and authority. This is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities, and the legislations and regulations affecting their conduct.</p> <p>The Board Charter will be reviewed as and when necessary to ensure it remains consistent with the Board's objectives and responsibilities and reflect the latest compliance requirements as a result of changes in the regulatory framework.</p> <p>The Board Charter was last reviewed, updated and approved by the Board on 29 September 2021 and is published on the Company website at www.lklbeds.com.</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 Board has adopted a Code of Conduct and Ethics in the Board Charter for Directors in order to adhere to the general principles and standards of business conduct and ethical behaviour in the performance and exercise of their responsibilities as Directors of the Company, and in order to uphold good corporate integrity which ultimately serves as a ground rules to the employees of the Company in discharging their respective duties and responsibilities.</p> <p>The Board has also adopted the Anti-Bribery and Corruption Policy ("ABC Policy") of the Group and incorporated the anti-bribery and anti-corruption requirements to be observed by the Directors and employees of the Group under the Code of Conduct and Ethics.</p> <p>The Code of Conduct and Ethics and ABC Policy have also been encapsulated in the Company's Employee Handbook in which a copy will be provided to the employees upon their commencement of work with the Company. The Company's Employee Handbook will be reviewed from time to time to ensure its appropriateness and relevancy.</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 Company has adopted a Whistle Blowing Policy to provide an avenue and accessible reporting channels for all employees of the Group and members of the public to raise concerns and disclose any improper conduct within the Group.</p> <p>The Whistle Blowing Policy aims to achieve the following:</p> <ul style="list-style-type: none"> • To provide avenues for employees to raise genuine concerns or allegations through the appropriate channels upon discovery of possible misconduct; • To encourage and develop a culture of openness, accountability and integrity; • To enable Management to be informed at an early stage about acts of misconduct; and • To ensure the protection to an individual who reports the concern or allegation in good faith in accordance with the procedures. <p>The Board will review and update the Whistle Blowing Policy as and when necessary to ensure that they continue to remain relevant and appropriate.</p> <p>The Whistle Blowing Policy is published on the Company’s website at www.lklbeds.com.</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	:		
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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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board comprises seven (7) members with three (3) of them are Independent Non-Executive Directors.</p> <p>The Independent Directors comprise 43% of the Board. This provides an effective check and balance in the functioning of the Board, and complies with the Rule 15.02 of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), which require one-third (1/3) of the Board to be independent.</p> <p>The Board are recognisant of the recommendation in the Code for at least half of the Board to comprise independent director and will access the composition and size of the Board on an ongoing basis to ensure the needs of the Company are met. The Board is of the view that the current Independent Non-Executive Directors have the experience and business acumen necessary to carry sufficient weight in the Board’s decisions, and act in the best interests of the shareholders.</p> <p>The Board and the NC will continue to explore and identify suitable candidates for appointment to the Board as Independent Directors based on merit, competence and contribution that each potential candidate can bring to further strengthen the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at the Board and Senior Management levels.</p> <p>In pursuing diversity agenda, the Directors and Senior Management are sourced from a diverse pool and recruited based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background, gender and contribution.</p> <p>The NC is responsible and takes the lead for the nomination of a new candidate for appointment, reviews and making the necessary recommendations. In this respect, the role of the NC is detailed in its Terms of Reference, which is available on the Company's website, www.lklbeds.com.</p> <p>The NC also assists the Board in its annual review of the required mix of skills and experience and other qualities including core competencies which Directors should bring to the Board and to assess the effectiveness of the Board as a whole, as well as, look into succession planning, boardroom and gender diversity and training courses.</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	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges and recognises the benefits arising from the boardroom and workforce diversity. The Board, through the NC will ensure women candidates are also sought as part of its recruitment exercise. The Board has also established a Gender Diversity Policy which provides a framework for the Company to improve its gender diversity at Board and Senior Management level.</p> <p>The Board had on 29 September 2021 revised and updated the Gender Diversity Policy which sets out the approach to diversify on the Board and Senior Management level.</p> <p>The Company is not classified as "Large Company". However, the Board is supportive of gender diversity in the Board composition as recommended by the MCCG and will endeavour to continuously identify and assess suitably qualified female candidates for nomination.</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 4.6

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 NC is responsible for overseeing the selection and assessment of Directors. The NC will scrutinise the suitability and qualification of the candidates and recommend the same for the Board’s approval. In discharging this duty, the NC will assess the suitability of an individual by taking into account the individual’s mix of skill, functional knowledge, expertise, experience, professionalism, integrity and/or other commitments that the candidate can bring to complement the Board.</p> <p>The policies and procedures for recruitment and appointment of Directors are guided by the Terms of Reference of NC.</p> <p>In searching for suitable candidates, the NC does not solely rely on the recommendations from existing Board members, Management or major shareholders when identifying candidates for the appointment of Directors. The NC will also rely on recommendations from its wide network of industry contacts including independent sources, where required. It will also take into consideration the skills, competencies, knowledge, experience, commitment and integrity of the candidate.</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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NC is currently chaired by an Independent Non-Executive Director, namely Mr. Ling Chi Hoong.	
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 assessed and evaluated the performance and effectiveness of the Board and Board Committees, as well as each individual Directors. The process is carried out via customised assessment forms sent to Directors pertaining to the following evaluations during the FPE 2021:-</p> <ul style="list-style-type: none">i. Performance of Managing Director and Executive Directors;ii. Performance of Non-Executive Directors;iii. Independence of the Independent Directors;iv. Performance of the ARMC; andv. Effectiveness of the Board and Board Committees as a whole <p>The assessment criteria based on the Key Performance Indicators cover the financial performance and business operations, strategic, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.</p> <p>The completed assessment forms were collated by the Company Secretary and tabled to the NC and/or ARMC for review before tabling the same for the Board's deliberation/notation.</p> <p>Based on the evaluations conducted during the FPE 2021, the NC and the Board were satisfied with the performance of the individual Directors, Board Committees, Board as a whole as well as the independence and objective judgements that the Independent Directors have brought to the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>In view that fair remuneration is crucial to attract, retain and motivate Directors and Senior Management, the Board has adopted Remuneration Policy 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 to determine the remuneration of Directors and Senior Management. The Remuneration Policy is made available for reference on the Company's website at www.lklbeds.com.</p> <p>The Board will determine the level of remuneration of Board members, taking into consideration the recommendations of the RC for executive Board members. The remuneration of the Executive Directors is rewarded on performance based.</p> <p>Non-Executive Directors of the Company will be paid a basic fee as ordinary remuneration based on their responsibilities in the Board and Board Committees, their attendance and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The RC comprises all of whom are Independent Non-Executive Directors as follows:-</p> <ul style="list-style-type: none">• Mr. Ling Chi Hoong, Chairman• Mr. Chan Jee Peng, Member• Mr. Ng Fun Kim, Member <p>The RC is principally responsible for the development and review of the Remuneration Policy and packages of the Board members, and makes its recommendations to the Board for adoption. The RC is also responsible to ensure that the remuneration package and benefits of the Board are benchmarked with industry standards in light of the Group's performance in the industry.</p> <p>The Directors who are the shareholders of the Company would abstain from deliberation and voting on matters pertaining to their own remuneration.</p> <p>The Terms of Reference of RC is accessible on the Company's website at www.lklbeds.com.</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	:		
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Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on a named basis for the remuneration of individual Directors is set out in CG Statement in the AR 2021.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Due to confidentiality and sensitivity of the remuneration package of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on a named basis in the bands of RM50,000.</p> <p>The Board is of the view that the disclosure of the Senior Management's remuneration components would not be in the best interest of the Company given the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.</p> <p>Alternatively, the Board is of the view that the disclosure of Senior Management's aggregated remuneration on an unnamed basis in the bands of RM50,000 in the AR 2021 is adequate.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Mr. Chan Jee Peng is the Chairman of the ARMC whilst the Chairman of the Board has yet to be appointed.</p> <p>The Board will endeavour to ensure that the Chairman of the Board is distinct from the Chairman of the ARMC upon identifying the new Chairman of the Board to be appointed in the near future. This is to ensure that the Board's review of the ARMC's findings and recommendations are not impaired.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognised the need to uphold the independence of its External Auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the ARMC of the Company were former key audit partners of the external auditors appointed by the Company. The Company will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the ARMC was a key audit partner of the External Auditors of the Group.</p> <p>The requirement for a former key audit partner of the external audit firm to observe a cooling off period of at least three (3) years before being appointed as a member of the ARMC has been incorporated as part of the Terms of Reference of the ARMC on 29 September 2021.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has put in place an External Auditors Assessment Policy together with an annual performance evaluation form. The policy outlines the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability and independence of the External Auditors.</p> <p>The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.</p> <p>The External Auditors had declared and confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The ARMC will carry out an annual performance assessment of the External Auditors and may request the Executive Directors and the Chief Financial Officer to join the assessment.</p> <p>The annual evaluation form provides a checklist for the ARMC to carry out a formal review of the independence, effectiveness and efficiency of the External Auditors of the Company that consider amongst others:-</p> <ul style="list-style-type: none">• Adequacy of resources and experience of the audit firm;• Quality processes of the audit firm;• Competency of audit engagement team;• Audit governance and independence;• Audit fee, scope and planning; and• Audit communications. <p>The Board, having considered the ARMC's recommendation and feedback, recommended the re-appointment of the External Auditors for the financial year ending 30 September 2022 for shareholders' approval at the forthcoming AGM.</p>
Explanation for departure	:	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The ARMC comprises solely of the following Independent Non-Executive Directors:- a. Mr. Chan Jee Peng (Chairman, Independent Non-Executive Director) b. Mr. Ling Chi Hoong (Member, Independent Non-Executive Director) c. Mr. Ng Fun Kim (Member, Independent Non-Executive Director)

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC members possess the necessary skills and knowledge to discharge their duties in accordance with the Terms of Reference of the ARMC. The ARMC Chairman and majority of its members are financially literate and they are able to understand matters under the purview of the ARMC including the financial reporting process.</p> <p>The ARMC members are able to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation during deliberations.</p> <p>During the FPE 2021, the members of the ARMC have undertaken continuous professional development to keep themselves abreast of relevant development in accounting and auditing standards, practices and rules. The details of their trainings are set out in the CG Statement in the AR 2021.</p> <p>In addition, the ARMC members were also briefed by the External Auditors on the development or changes in the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and other changes in regulatory.</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	:		
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Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has put in place a structured risk management and internal control framework within the Group as an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.</p> <p>The Board had delegated the responsibility for reviewing the adequacy and effectiveness of the risk management and internal control systems to the ARMC. The Board has also received assurance from the Executive Directors and Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group for the FPE 2021.</p> <p>The details on the features on the risk management and internal control framework have been disclosed in the Statement of Risk Management and Internal Control in the AR 2021.</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 Board via the ARMC oversees the risk management of the Group. The ARMC reviews the effectiveness of the risk management function and deliberates on the risk management and internal control frameworks, functions, processes and reports on a regular basis.</p> <p>For the FPE 2021, the ARMC is assisted by the Management as well as the outsourced Internal Auditors to identify and assess the significant risks faced by the Group and to ensure that appropriate risk treatments were in place to mitigate the risks that affect the achievement of the Group's business objectives. The Internal Auditors reports directly to the ARMC and the internal audit plans are tabled to the ARMC every quarter for review to ensure adequate coverage.</p> <p>The risk management and internal control are ongoing processes, which are undertaken at each department. The existing system of risk management and internal control will be continuously enhanced by taking into consideration the changing business environment and be further strengthened with compensating controls and appropriate check and balance mechanisms.</p> <p>Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of the framework, are disclosed in the Statement on Risk Management and Internal Control in the AR 2021.</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	:		
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Intended Outcome

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

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

Practice 9.3 - 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	:	<p>The Board had established the Internal Auditors Assessment Policy together with an annual assessment form. The policy is to outline the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability and independence of the Internal Auditors.</p> <p>The Internal Auditors are precluded from providing any services that may impair their independence or conflict with their role as Internal Auditors.</p> <p>The ARMC will obtain a written assurance from the Internal Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The ARMC will carry out an annual performance assessment of the Internal Auditors and may request the Executive Directors and Chief Financial Officer to join the assessment. The annual evaluation form provides a checklist for the ARMC to carry out a formal review of the independence, effectiveness and efficiency of the Internal Auditors of the Company. The details of the internal audit function and activities carried out during the FPE 2021 are disclosed in the ARMC Report in the AR 2021.</p> <p>Further details of the internal audit function and activities carried out during the FPE 2021 are set out in the ARMC Report in the AR 2021.</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

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 audit function was previously outsourced to Sterling Business Alignment Consulting Sdn. Bhd. (“Sterling”), an independent business and risk management consulting firm to take charge of the Group’s internal function. The Internal Auditors reports directly to the ARMC of the Company.</p> <p>The engagement team from Sterling is free from any relationship or conflict of interest, which could impair their objectivity and independence.</p> <p>Sterling has a sufficient number of audit staff deployed for each IA review, ranging from 3 to 4 Internal Auditors per visit. Sterling is a corporate member of the Institute of Internal Auditors Malaysia (“IIAM”). Different Internal Auditors team lead is assigned to conduct each IA review, depending on the scope of the review.</p> <p>The Internal Auditors uses the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control system.</p> <p>The IA function is carried out in accordance to the International Professional Practices Framework set by the IIAM to ensure that IA staff are professionally guided and trained to develop the appropriate competencies to perform their duties during the IA review.</p> <p>Following the resignation of Sterling on 14 July 2021, the Company had on 29 November 2021 appointed Talent League Sdn. Bhd., an independent business and risk management consulting firm, to assist on the Group’s internal function for the financial year ending 31 September 2022.</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 Group recognises the importance of being transparent and accountable to its stakeholders and as such, maintains an active and constructive communication policy that enables the Board to communicate effectively with investors, the financial community and the public.</p> <p>The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through Annual Report, quarterly announcements of financial results to Bursa Securities, relevant announcements and circulars, Annual and/or Extraordinary General Meeting and the Company's website.</p> <p>The Company's website at www.lklbeds.com incorporates corporate information of the Company and is accessible to the public. The Investor Relations function enhances the communication with its stakeholders and provides a channel for the stakeholders and general public to direct their enquiries and concerns to the Company.</p> <p>Another key avenue of communication with its shareholders is the Company's AGM, which provides a useful forum for dialogue with shareholders where they may raise questions and concerns or seek clarifications on the Company's business and reports from the Company's Directors. All the Directors were present at the 6th AGM held on 13 October 2020, except for Tan Sri Datuk Adzmi Bin Abdul Wahab and Puan Selma Enolil Binti Mustapha Khalil who did not wish to seek for re-election as Director of the Company at the 6th AGM, have responded to the queries raised by 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

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company is not required to comply with this requirement as it is not a large company.</p> <p>Corporate information is disseminated via the Company's website and announcements are published on the website of Bursa Securities. At present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview of the Company's financial and non-financial information including future prospects. Components such as the Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, as well as the Sustainability Statement, form an integral part of the non-financial information. Once the level of maturity of the non-financial reporting practices is adequate and able to comply with globally recognised integrated reporting standards, the Company will implement it as soon as it is practicable.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The notice for convening the forthcoming 7 th AGM of the Company to be held on 15 March 2022 was sent to the shareholders on 31 January 2022, which is more than 28 days before the date of 7 ^h AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All the Directors were present at the 6th AGM of the Company held on 13 October 2020 to engage with the shareholders personally and proactively, except for Tan Sri Datuk Adzmi Bin Abdul Wahab and Puan Selma Enolil Binti Mustapha Khalil who did not seek for re-election as Director of the Company at the 6th AGM.</p> <p>During the proceedings of the 6th AGM, the Chairman of the Meeting invited the shareholders to raise any questions and concerns pertaining to the Company's audited financial statements and other agendas tabled for adoption at the AGM.</p> <p>Mr. Lim Pak Hong, the former Executive Director had presented and briefed the shareholders at the 6th AGM on the Group's financial performance and its prospect. Following the presentation, shareholders were invited to raise questions on the Company's financial statements and other items for adoption at the 6th AGM.</p> <p>In addition to the above, Senior Management and External Auditors of the Company have also attended the 6th AGM to respond to the shareholders' queries.</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	:	<p>The Board ensures that the location of the general meeting is easily accessible to the shareholders of the Company. The 6th AGM in 2020 was held at Hotel Bangi-Putrajaya, a venue that was accessible by its shareholders. Shareholders who are unable to attend the AGM were encouraged to appoint his/her/its proxy/proxies to attend and vote at the AGM.</p> <p>Nonetheless, the Company will hold its upcoming 7th AGM on a fully virtual basis and entirely via remote participation and voting. This allows the shareholders to participate in the AGM while at the same time, follows the health guidance issued by the Government of Malaysia of not having a mass gathering and practising social distancing to curb the spread of coronavirus (COVID-19) disease. The conduct of meetings by way of fully virtual is also strongly encouraged by the Securities Commission Malaysia.</p> <p>The fully virtual 7th AGM complies with the Company's Constitution, Companies Act 2016 and other legal requirements.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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

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

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