

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0182
COMPANY NAME : LKL International Berhad (“LKL International” or “the Company”)
FINANCIAL YEAR : April 30, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	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, review 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. 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. The Board has delegated certain responsibilities to the following Board Committees to assist in the execution of its responsibilities:- a. Audit Committee b. Nomination Committee c. Remuneration Committee d. Risk Management Committee Further details on the responsibilities of the Board are set out in the Corporate Governance Overview Statement ("CG Statement") in the Company's Annual Report for the financial year ended 30 April 2018 ("AR 2018"). The Board meets quarterly or as and when required to review and monitor the Group's financial and operational performance.

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 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The Chairman oversees the effective discharge of the Board's supervisory roles and facilitate the effective contribution of all directors. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at www.lklbeds.com.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	The positions of Chairman and Managing Director (“MD”) are separated and held by two different individuals and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority to promote accountability. Tan Sri Datuk Adzmi Bin Abdul Wahab is the Independent Non-Executive Chairman while Mr. Lim Kon Lian is the MD of the Company. The distinct and separate roles of the Chairman and the MD are set out in the Board Charter to ensure that no one individual has unfettered powers of decision making. The Board Charter is available on the Company’s website at www.lklbeds.com.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

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

Application	:	Applied	
Explanation on application of the practice	:	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. The Company Secretary also update 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. The Company Secretary had on 13 December 2017 organised a briefing for the Board on "Malaysian Code on Corporate Governance 2017" to keep the Board abreast of the latest development on the governance matters involving the Company. During the financial year under review, all Board and 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. 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.	
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	:	To facilitate the Directors' time planning, an annual meeting calendar is prepared in advance by the Company Secretary at the beginning of the year. 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. The notices of Board and Board Committees meetings are sent to the Directors via email at least seven (7) days prior to the meetings. The meeting papers are generally furnished to the Board members at least five (5) working days prior to the dates of meetings. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each meeting. Partial departure given that certain meeting materials were circulated less than five (5) working days prior to the dates of meetings. The deliberations and conclusions of matters discussed in the Board or 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 meeting minutes accurately captured the deliberations and decisions of the Board and/or the Board Committees, including whether any Director abstains from voting or deliberating on a particular matter. All the records of proceedings and resolutions passed are kept at the registered office of the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
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	:	The Board has a Board Charter, which is published on the Company's website at www.lklbeds.com, which was reviewed, updated and approved by the Board on 16 April 2018. The Board Charter is intended to identify the role, structure and processes related to the key governance activities of the Board. It also serves as a reference point for Board activities. It is designed to provide guidance and clarity to Directors and Senior Management with regards to the roles of the Boards and its Committees, the role of the Chairman and Executive Directors, the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board's operating practices. The Board Charter was updated to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members, and the various legislations and regulations affecting their conduct, and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
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	:	The Board has adopted a Code of Ethics and Conduct in the Board Charter which is to be observed by the Board and employees of the Group. The Code of Ethics and Conduct has 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 has been revised in April 2018.	
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	:	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. The Whistle Blowing Policy is made available and published on the Company’s website at www.lklbeds.com.	
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 4.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board comprises six (6) members with three (3) of them are Independent Non-Executive Directors. Our current Board composition is in line with the Malaysian Code on Corporate Governance (“MCCG”) recommendation to have at least half of the Board comprises Independent Directors. Also, the Board composition complies with Rule 15.02 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) which requires at least one-third (1/3) of the Board comprise of Independent Directors. The Board operates in a manner that ensures the Directors exercise independent judgment and decision making remains objective and is in the best interest of the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	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	:	The Board takes cognisance of the diversity in terms of skills, experience, age, gender, cultural background and ethnicity of the existing Board in seeking for potential new candidate(s), if any. The Nomination Committee (“NC”) is responsible and takes the lead for nomination of new candidate for appointment, reviews and making the necessary recommendations to the Board for approval. 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.	
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

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	:	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 level. The objectives / principles and measures are set out in the Gender Diversity Policy as disclosed in the CG Statement in the AR 2018. Presently, the Board consists of six (6) Directors with two (2) of them are female Directors, representing approximately 33% of the Board composition.	
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	:	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. In searching for suitable candidates, the NC may receive suggestions from existing board members, management and major shareholders. The NC is also open to referrals from external sources available, such as industry and professional association, as well as independent search firms.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Mr. Tevanaigam Randy Chitty, who is a Senior Independent Non-Executive Director of the Company.	
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

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	:	The NC assessed and evaluated the performance and effectiveness of the Board and Board Committees, as well as each individual Director. The process is carried out via customised assessment forms sent to Directors pertaining to the following evaluation:- i. Performance of Executive Directors ii. Performance of Non-Executive Directors iii. Independence of the Independent Directors iv. Performance of the Audit Committee (“AC”) v. Effectiveness of the Board and Board Committees as a whole Assessment criteria based on the Key Performance Indicators (“KPI”) covers 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. The assessment forms duly competed by Directors and/or AC were collated by the Company Secretary and tabled to the NC and/or AC for review before tabling the same for the Boards’ deliberation/notation.	
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	:	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. Directors’ fees and benefits payable to the Non-Executive Directors are tabled to the shareholders for approval on an annual basis via the Annual General Meeting (“AGM”) of the Company. For the remuneration of Senior Management, the Company has adopted its guideline to determine their remuneration to commensurate with experience, skills and education.	
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

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	:	The Remuneration Committee ("RC") comprises the majority of whom are Independent Non-Executive Directors as follows:- • Selma Enolil Binti Mustapha Khalil, Chairman • Tevanaigam Randy Chitty, Member • Tan Chuan Hock, Member The RC is principally responsible for the development and review of the remuneration policy and packages of the Board members, and make 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. The Terms of Reference of RC is accessible on the Company's website at www.lklbeds.com.
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 7.1

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 named basis for the remuneration of individual Directors are set out in CG Statement in the AR 2018.	
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

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	:	Due to confidentiality and sensitivity of the remuneration package of Senior Management as well as security concerns, the Company opts not to disclose the Senior Management’s remuneration components on named basis in the bands of RM50,000.	
		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.	
		Alternatively, the Board is of the view that the disclosure of Senior Management’s aggregated remuneration on unnamed basis in the bands of RM50,000 in the AR 2018 is adequate.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board is Tan Sri Datuk Adzmi Bin Abdul Wahab while the Chairman of AC is Mr. Tevanaigam Randy Chitty, both of whom are Independent Non-Executive Directors. This has ensured that the objectivity of the Board's review of the AC's findings and recommendations are not impaired. This is set out clearly in the Terms of Reference of the AC, which is available on the Company's website at www.lklbeds.com .	
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	:	No former key audit partners of the present and former external auditors have been appointed to the Board or employed by the Group. The 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 AC has been incorporated into the Terms of Reference of the AC. This is to safeguard the objectivity and independence of the audit process and preparation of the Company’s financial statements.	
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	:	The Board had on 13 December 2017 established the External Auditors Assessment Policy ("the Policy") together with an annual performance evaluation form. The Policy outlines the guidelines and procedures for the AC to review, assess and monitor the performance, suitability and independence of the External Auditors. The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors. 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. The AC will carry out annual performance assessment of the External Auditors and may request the Executive Directors and the Financial Controller to join the assessment. The annual evaluation form provides a checklist for the AC to carry out a formal review of the independence, effectiveness and efficiency of the External Auditors of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
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	:	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 8.5

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	:	The AC members possess the necessary skills and knowledge to discharge their duties in accordance with the Terms of Reference of the AC. The AC Chairman and majority of its members are financially literate and they are able to understand matters under the purview of the AC including the financial reporting process. The AC 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. During the financial year under review, all members of the AC 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 of the AR 2018. In addition, the members were also briefed by the External Auditors on the following key areas during the AC meetings: - • Financial Reporting developments; • Adoption of Malaysian Financial Reporting Standards; • Malaysian Code on Corporate Governance; and • Other changes in regulatory environment.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	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. The Board had on 27 June 2017 formed a Risk Management Committee (“RMC”) which consists of majority Independent Non-Executive Directors to discharge the risk management function of the Group on behalf of the Board. The RMC has been entrusted to oversee and assess the effectiveness of the risk management framework. 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 of the AR 2018.	
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

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	:	The Board acknowledges its overall responsibility for the Group's risk management and internal control system by reviewing its effectiveness, adequacy and integrity on a regular basis. Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of this framework, are disclosed in the Statement on Risk Management and Internal Control in the AR 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Board has formed the RMC on 27 June 2017, which comprises of four (4) members with majority of whom are Independent Directors.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	The Group has outsourced its internal audit (“IA”) function to Sterling Business Alignment Consulting Sdn. Bhd. (“Sterling” or “Internal Auditors”), an independent professional consulting firm. The Internal Auditors are precluded from providing any services that may impair their independence or conflict with their roles as Internal Auditors. The Board has on 13 December 2017 established the Internal Auditors Assessment Policy (“the Policy”) together with an Annual Assessments Form (“Internal Auditors Annual Assessment Form”). The Policy outlines the guidelines and procedures for the AC to review, assess and monitor the performance, suitability and independence of the Internal Auditors. To ensure that the responsibilities of Internal Auditors are fully discharged, the AC evaluate the performance of the Internal Auditors for the financial year ended 30 April 2018 (“FYE 2018”) upon such evaluation criteria as set out in its Internal Auditors Annual Assessment Form, amongst others, the following were some of the criteria reviewed by the AC: a. Adequacy of resources and experience of the internal audit firm; b. Quality processes of the internal audit firm; c. Competency of the engagement team; d. Governance and independence; e. Internal audit fee, scope and planning; and f. Internal audit reports and communications. The AC concluded its assessment that the Internal Auditors has sufficient experience and resources to satisfy their terms of reference and adequately deliver the quality services to the Company and its subsidiaries. The results of the audits as disclosed in the Internal Audit Reports together with Senior Management’s response and proposed action plans were reviewed by the AC. The relevant Senior Management were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes.

	The Internal Auditors provides assurance to the AC that no material issue or major deficiency has been noted which would pose a high risk to the overall system of internal control under review. Further details of the internal audit function and activities are set out in the AC Statement in the AR 2018.			
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	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

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	:	The IA function is currently outsourced to Sterling, an independent business and risk management consulting firm to take charge of the Group's IA function during the financial year. The Internal Auditors report directly to the AC of the Company. The engagement team from Sterling are free from any relationship or conflict of interest, which could impair their objectivity and independence. Sterling has the 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. The Internal Auditors use 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. During the financial year under review, the Board was satisfied that there were continuous efforts made by the Senior Management to address and resolve areas with control weaknesses and that the control procedures were in place and were being followed. The AC had on 26 June 2018 evaluated the performance of the Internal Auditors for the FYE 2018 upon such evaluation criteria as set out in its Annual Assessment Form, amongst others, the following were some of the criteria reviewed by the AC: a. Adequacy of resources and experience of the IA firm; b. Quality processes of the IA firm; c. Competency of the engagement team; d. Governance and independence; e. IA audit fee, scope and planning; and

	f. IA reports and communications.			
	Upon the evaluation, the AC was satisfied with the competency, experience and resources of the Internal Auditors in discharging their roles and responsibilities.			
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	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

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	:	The Board is committed to provide effective and transparent communication to its stakeholders and general public in a timely and equitable manner. The Corporate Disclosure Policy adopted by the Board facilitates the determination of materiality, appropriateness and timing for dissemination of the information. Quarterly reports, announcements, annual reports and circulars serve as the primary means of dissemination of information so that the stakeholders are constantly kept abreast of the Group's progress and development. The Company continuously leverages on information technology to broadly and effectively disseminating information to its stakeholders and general public. 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. 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.
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	:	Not applicable as the Company is not a Large Company.	
<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 12.1

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 Fourth AGM of the Company is scheduled to be held on 17 October 2018 and the notice of AGM will be issued on 30 August 2018, which is at least 28 days before the date of AGM. The notice of AGM provides detailed explanation for the resolutions proposed along with any background information and reports or recommendation that are relevant, where required and necessary, to enable shareholders to make informed decisions in exercising their voting rights.	
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	:	All the Directors were present at the Third AGM of the Company held in 2017 to engage with the shareholders personally and proactively. During the proceedings of the Third AGM, the Chairman 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. Upon adjournment of the AGM, the Group General Manager presented and briefed the shareholders on the Group’s financial performance and prospect for the FYE 2017. Following the presentation, shareholders were invited to raise questions on the Company’s financial statements and other items for adoption at the AGM, before putting a resolution to vote. In addition to the above, Senior Management and External Auditors of the Company have also attended and will continue to attend the AGM to respond to the shareholders’ queries	
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	:	The Company has yet to facilitate voting in absentia and remote participation by shareholders in General Meetings. Alternatively, shareholders are allowed to appoint proxy(ies) and representative(s) to attend the meetings and vote on his/her behalf. The proxy forms are sent to the shareholders together with the Notice of General Meetings.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**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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