

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0182
COMPANY NAME : LKL INTERNATIONAL BERHAD (“LKL” or “the Company”)
FINANCIAL YEAR : December 31, 2022

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	:	The Board of Directors of LKL ("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. The Board has the responsibility of 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 and Risk Management Committee ("ARMC"); b. Nomination Committee ("NC"); c. Remuneration Committee ("RC"); 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 has been reviewed, revised and approved by the Board. 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 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. Further details on the responsibilities of the Board are also set out in the Corporate Governance Overview Statement ("CG Overview Statement") in the Company's Annual Report for the financial period ended 31 December 2022 ("FPE 2022") ("AR 2022").			
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	:			
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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	:	Please provide an explanation on how the practice is being applied.	
Explanation for departure	:	After Tan Sri Datuk Adzmi Bin Abdul Wahab retired during the 6 th Annual General Meeting ("6 th AGM") held on 13 th October 2020, the position of Chairman of the Board is presently vacant.	
		The Board is of the view that the strong presence of Independent Directors aided by the Directors in their executive roles enable 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, www.lklbeds.com .	
<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	:	Departure	
Explanation on application of the practice	:	Please provide an explanation on how the practice is being applied.	
Explanation for departure	:	Following the retirement of Tan Sri Datuk Adzmi Bin Abdul Wahab at the 6 th AGM held on 13 th October 2020, no appointment has been made for the position of Chairman.	
		The Board 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 is currently seeking a suitable candidate to be appointed as the Chairman of the Board.	
<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 Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>		
Application	:	Departure
Explanation on application of the practice	:	Please provide an explanation on how the practice is being applied.
Explanation for departure	:	Following the retirement of Tan Sri Datuk Adzmi Bin Abdul Wahab in the 6 th AGM held on 13 th October 2020, no appointment has been made for the position of Chairman.
	:	Although the Executive Director of the Company assumes the role of the Chairman of the Board meeting and he was invited to the ARMC's meetings to provide inputs on the matters discussed, he did not participate in the decision-making process regarding the resolutions, proposals and matters tabled for approval during the meetings. The Board recognises that there is sufficient independence to ensure a fair balance of power and authority due to the presence of the three (3) Independent Non-Executive Directors, who provide the necessary checks and balances on the decision-making process of the Board. Notwithstanding that, the Board is currently seeking a suitable candidate to be appointed as the Chairman of the Board.
<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

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 qualified and experienced Company Secretary who is a member of the Malaysian Association of Companies Secretaries and she is holding a professional certificate as a qualified Company Secretary under the Malaysian Companies Act 2016 ("Act"). She possesses over 29 years of experience in corporate secretarial practices. The Company Secretary plays an important role in facilitating the overall compliance with the Act, ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant laws and regulations. The Company Secretary also assists the Board and Board Committees to function effectively and in accordance with their terms of reference and best practices and ensure adherence to the existing Board policies and procedures. In order to discharge the roles effectively, the Company Secretary has been continuously attending the necessary training programmes, conferences, seminars and/or forums so as to keep herself abreast with the latest developments in the corporate governance realm and changes in regulatory requirements that are relevant to her profession and enable her to provide the necessary advisory role to the Board. The Board has direct access to the professional advice and services of the Company Secretary and her team when performing their duties and discharging their responsibilities. The Company Secretary organised the following briefings for the Board to keep the Board abreast of the latest development on the governance matters and provisions under Listing Requirements of Bursa Securities for the financial period ended 31 December 2022 ("FPE 2022"): • Director appointment, independence and other amendments on 22nd February 2022; and • Enhanced sustainability reporting framework on 29th November 2022. During the financial period under review, the 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. Overall, the Board is satisfied with the service and support rendered by our Company Secretary and her team to the Board in the discharge of their duties and functions.	
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 1.6

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 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. Except in the case of an emergency, the notices of meetings and meeting papers are generally circulated to the Board and Board Committees at least five (5) working days prior to the dates of meetings. This is to accord sufficient time for the Directors to peruse the Board papers and to seek any clarification or further details that they may need from the Management or to consult independent advisers (if necessary) and to make an informed decision at each Board meeting. The minutes of the Board and Board Committee meetings accurately document the discussions and decisions made. After the meetings, draft minutes are circulated for review by the Board or Committee Chairman within a reasonable timeframe. The minutes also note whether any Directors abstained from voting or deliberating on a particular matter. The Company Secretary and her team follow up with Management on the progress of action items taken in reference to the previous minutes. These action items remain recorded in the minutes until they are resolved. All the records of proceedings and resolutions passed are kept at the registered office 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

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 formalised and adopted a Board Charter. The Board Charter is intended to identify the role, structure and processes related to key governance activities of the Board. It also serves as a reference point for Board activities. It is designed to provide guidance and clarity for Directors and Management with regard to the roles of the Board 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 would 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. 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

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 acknowledges that working with a strong sense of integrity is essential to achieve the Group's business goal in an open, honest, ethical and principled manner. The Board has adopted a Code of Conduct and Ethics which is incorporated in the Board Charter of the Company and it is available on the Company's website at www.lklbeds.com. All Directors and employees of the Group must endeavour to observe the Code of Ethics and Conduct which provides guidance as to the ethical conduct to be complied with to uphold the principles of honesty and integrity as well as to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The Board will review the Code of Conduct and Ethics from time to time to ensure that it continues to remain relevant and appropriate with the prescribed requirements and best corporate governance practices.
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 Board recognises the whistle blowing as an important mechanism in the prevention and detection of improper conduct, harassment or corruption in the conduct of the Group’s businesses and operations. The Board had on 15 February 2022 adopted a revised Whistle Blowing Policy to provide a defined avenue and accessible reporting channels for all Directors, employees, shareholders and any third parties associated with the Group to raise concerns or disclose any improper conduct within the Group. The Board will review the Whistle Blowing Policy at least once every three (3) years to ensure its effectiveness and consistency with the governing legislation and regulatory requirement. The Whistle Blowing Policy is published on the Company’s website at www.lklbeds.com.	
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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledged the importance of incorporating sustainability considerations into the Company's business and corporate activities, and how sustainability is essential to successful business strategies that could deliver sustainable value to all stakeholders and ultimately boosts the business performance of the Company. The Board, in collaboration with the Management, assumes accountability for promoting sustainability governance within the Company. This includes establishing sustainability strategies, priorities, and targets that align with the Company's mission and values. The Company takes a transparent approach to report its progress towards these targets to both internal and external stakeholders. By doing so, the Company demonstrates its commitment to responsible and sustainable business practices. The Board and the Management integrate Economic, Environmental and Social (ESS) factors into their investment decision-making process and the Group's overall strategy and operations in order to promote and build sustainability momentum within the Group. In line with the recommendation of the MCCG, the Board takes into consideration the Company's performance in managing material sustainability risks and opportunities when determining the appropriate level of remuneration for Directors and Senior Management.
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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	The Board recognises that the Company's sustainability strategies, priorities, targets, and performance should be communicated transparently and comprehensively to both internal and external stakeholders. This includes providing information that enables stakeholders to evaluate the Company's sustainability risks and opportunities. Consistent with previous years, the Company has issued a Sustainability Statement as part of its Annual Report, in accordance with the Listing Requirements, the Sustainability Reporting Guide, and Toolkits by Bursa Securities. The aim is to offer stakeholders a tangible understanding of the economic, environmental, and social factors that are being integrated into the Company's operations. Although the Company does not currently seek external assurance specific to its Sustainability Statement, third-party audits and verifications are regularly performed on its operating sites, policies, processes, and programs, as outlined in the Sustainability Statement. Additionally, the Management has validated the accuracy and integrity of the reported data during the preparation of this Statement.	
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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied
Explanation on application of the practice	:	The Board, through the NC, assesses the training programmes attended by each of the Directors during the financial period to ensure that they stay abreast with the latest developments in the industry as well as the sustainability issues relevant to the Group, including factors that are driving climate change, sustainable finance and achieving a sustainable business model. The key training programmes attended by each Director for the FPE 2022 are set out in the Corporate Governance Overview Statement of AR 2022. The Company Secretary regularly updates the Board on the changes in the Listing Requirements and/or other regulatory requirements upon receiving the circulars from Bursa Securities and/or other regulators, which are relevant to the Company and provides advice on corporate disclosures and compliance issues.
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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Board and the Senior Management have performed their respective roles in addressing material sustainability risks and opportunities. The performance evaluation of the Board in addressing the Group’s strategic and business plans which promote sustainability materials matters was evaluated through the annual Board’s effectiveness evaluation for the FPE 2022. Whereas for the Senior Management team, it is part of their key performance indicators which are reviewed annually.	
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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.

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 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied
Explanation on application of the practice	:	The NC oversees the overall composition of the Board in terms of size, a mix of skills, experience and core competencies, as well as the balance between Executive Directors and Independent Non-Executive Directors. The effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board and the contribution of the Board's various committees will be assessed on an annual basis. The Board acknowledges the recent amendments to the Listing Requirements by Bursa Securities on 19 January 2022. According to the new regulations, the tenure of an Independent Non-Executive Director shall not exceed a cumulative term of twelve (12) years effective on or after 1 June 2023. Furthermore, if the Board intends to retain an Independent Non-Executive Director who has served the Board a cumulative term of more than nine (9) years, it must justify its decision and seek the shareholders' approval through a two-tier voting process at a general meeting as recommended by the MCCG. During the FPE 2022, none of our Directors has served the Board as an Independent Director of the Company for a cumulative term of more than nine (9) years. The annual re-election of retiring Directors has been contingent on a satisfactory evaluation of the retiring Directors' performance and contribution to the Board. In addition, the Directors' Fit and Proper Policy serves as a guide to NC and the Board for the appointment and re-election of Directors. The Directors' Fit and Proper Policy is published on the Company's website at www.lklbeds.com.
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 5.2

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 currently comprises six (6) members i.e., one (1) Non-Independent Non-Executive Director, three (3) Independent Non-Executive Directors and two (2) Executive Directors. Hence, the Board complies with Rule 15.02 of the Listing Requirements of Bursa Securities which requires at least two (2) Directors or one-third (1/3) of the Board members, whichever is higher, are Independent Directors. The Board currently comprises six (6) members i.e., one (1) Non-Independent Non-Executive Director, three (3) Independent Non-Executive Directors and two (2) Executive Directors. Hence, the Board complies with Rule 15.02 of the Listing Requirements of Bursa Securities which requires at least two (2) Directors or one-third (1/3) of the Board members, whichever is higher, are Independent Directors. Such composition is able to provide independent and objective judgement as well as provide an effective check and balance to safeguard the interest of the minority shareholders and other stakeholders, and ensure high standards of conduct and integrity are maintained. The assessment of the independence of Independent Non-Executive Directors was conducted annually via the Annual Evaluation of Independence of Directors to ensure that they were independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests 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 5.3

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied	
Explanation on application of the practice	:	There are no Independent Non-Executive Directors serving beyond the cumulative term of nine (9) years on the Board 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 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond 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 5.5

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

Application	:	Applied
Explanation on application of the practice	:	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. 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. In making its recommendations to the Board, the NC considers and assesses the suitability of a new appointment based on objective criteria, including: (a) Qualification; (b) Required competencies, skills, expertise and experience; (c) Specialist knowledge or technical skills; (d) Professionalism and integrity; (e) Time commitment to the Company based on the number of directorships held; and (f) in the case of candidates for the position of Independent Non-Executive Directors, the NC will also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. This helps to ensure an appropriate balance between the experience perspectives of the long-term Directors and new perspectives that bring fresh insights to the Board. The Board also via the NC, reviews the correct mix of skills, business and professional experiences that should be added to the Board annually or as and when required.

	The appointment of Key Senior Management was also made with due regard for diversity in skills, experience, age, cultural background and gender. More women representation on the Board and Senior Management will be taken into consideration if vacancies arise and when suitable candidates are identified.	
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 5.6

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Departure
Explanation on application of the practice	:	Please provide an explanation on how the practice is being applied.
Explanation for departure	:	The NC of the Company is responsible to oversee the selection and assessment of new candidates for the appointment of Directors. The NC will scrutinise 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 leverage on various sources and gain access to a wider pool of potential candidates. Besides the recommendation from the existing Board members, Management and major shareholders, the NC also refers to the potential candidate from the industry taking into consideration their education, skills and experience background. There was no new Director appointed to the Board during the FPE 2022. The Board will consider referrals from external sources to identify suitably qualified candidates when the need arises in the future and will not solely rely on recommendations from existing Board members, Management and/or major shareholders.
<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 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied
Explanation on application of the practice	:	The performance of retiring Directors recommended for re-election at the Seventh AGM ("7th AGM") have been assessed through the NC annual evaluation (including the independence of Independent Non-Executive Directors) and recommended to the Board for approval. The profiles of the Directors who were due for retirement and offered themselves for re-election, which included the nature of interest with the Company, whichever applicable, were set out in the AR 2021 of the Company. Whilst for the retiring Directors for the forthcoming Eighth AGM ("8th AGM"), a statement by the Board and NC being satisfied with the performance and effectiveness of the retiring Directors who offered themselves for re-election at the forthcoming 8th AGM was stated in the notes accompanying the Notice of 8th 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

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

Practice 5.8

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. Under the leadership of Mr. Ling Chi Hoong, NC has undertaken the following activities during the FPE 2022: • Reviewed the overall Board's and Board Committees' effectiveness; • Reviewed the performance of the ARMC; • Reviewed the performance of each Director; • Reviewed the independence of the Independent Directors; and • Reviewed and make a recommendation to the Board for the re-election of the Directors who are subject to retirement at the 7th 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

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board comprises six (6) Directors, none of them are women. The Board recognises that this diversity acts as a source for fresh perspectives which ultimately benefits the overall deliberations taking place in the boardroom. Although there is currently no women representation at the Board level, the Board decisions are made objectively in the best interests of the Group taking into account diverse perspectives and insights. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board. Women's representation on the Board and in Senior Management will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives. The Board will take into consideration of female Director within the Board as a long-term goal to which incremental steps shall be taken to ensure it is adopted within the reasonable timeframe stipulated.
<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 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

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 and Senior Management level. 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. The Board is supportive of gender diversity in the Board composition and Senior Management as recommended by the MCCG and will endeavour to continuously identify and assess suitably qualified female candidates for nomination.	
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 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>						
Application	:	Applied				
Explanation on application of the practice	:	The Company has in place a formal process for assessment of the effectiveness of the Board and the Board Committees as a whole and the contribution by each Director, including the independence of the Independent Non-Executive Directors to the effectiveness of the Board and Committees, making reference to the guides available and the good corporate governance compliance. The assessment of the Board and Board Committees are performed on a Board review whilst the assessment of the individual Directors is performed on a peer-review basis. Each Director is provided with the assessment forms for their completion prior to the meeting. The results of all assessments and comments by the Directors are summarised and deliberated at the NC meeting and thereafter the NC’s Chairman will report the results and deliberation to the Board. The annual assessment criteria of the Board and Board Committees and individual Directors were last reviewed and updated on 29 September 2021 which to stay aligned with the MCCG practices. The areas covered in the aforesaid annual assessment criteria are as follows:- <table><tr><th>Evaluation</th><th>Assessment Criteria</th></tr><tr><td>Board and Board Committees as a whole</td><td> • Role of the Chairman and Executive Director • Board balance, size and composition • Board structure and procedures • Relationship of the Board to Management • Quality and supply of information to the Board/Board’s Committees • Access to information and advice </td></tr></table>	Evaluation	Assessment Criteria	Board and Board Committees as a whole	• Role of the Chairman and Executive Director • Board balance, size and composition • Board structure and procedures • Relationship of the Board to Management • Quality and supply of information to the Board/Board’s Committees • Access to information and advice
Evaluation	Assessment Criteria					
Board and Board Committees as a whole	• Role of the Chairman and Executive Director • Board balance, size and composition • Board structure and procedures • Relationship of the Board to Management • Quality and supply of information to the Board/Board’s Committees • Access to information and advice					

		• Accountability for financial reporting, internal control and sustainability risk and opportunities • Relation with Auditors / Shareholders / Investors • Use of Board Committees • Directors' training
	ARMC	• Composition and quality • Oversight of the financial reporting process, including internal controls • Understanding the business, including risk and control environment • Access to information and advice • Oversight of audit functions • Compliance with corporate governance • External Auditors • Staying abreast on issues • Report and recommendations
	Executive Director	• Financial • Strategic and sustainability • Conformance & compliance • Business acumen/increasing shareholders' wealth • Succession planning • Personal input to the role
	Non-Executive Director	• Attendance at Board and Board Committees' meetings • Adequate preparation for Board and/or Board Committees' meetings • Regular contribution to Board/Board Committee meetings • Personal input to the role
In respect of the annual performance evaluation for the FPE 2022, it was concluded that :- (a) the Board and Board Committees have discharged their duties and responsibilities effectively; and (b) each Director continued to perform effectively and demonstrated commitment to his role. The Board is satisfied with the current evaluation process. The Board will continue to review the Board's evaluation process as and when necessary to ensure it remains a valuable feedback mechanism for improving the Board's effectiveness.		

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 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. 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. 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. 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.
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

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 7.2

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 RC comprises all of whom are Independent Non-Executive Directors as follows:- • Mr. Ling Chi Hoong, Chairman • Mr. Chan Jee Peng, Member • Mr. Ng Fun Kim, Member 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. The Board is satisfied that the RC has effectively and efficiently discharged its roles and responsibilities with respect to its remuneration functions. All Directors had abstained from deliberations and voting in respect of their respective remuneration.
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 8.1

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 details of the Directors' remuneration for the FPE 2022 for each individual Director with a breakdown into fees, salaries and bonus, allowance and other emoluments are set out in the table below.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Datuk Chong Loong Men	Executive Director	-	-	150.0	-	-	19.3	169.3	-	-	525.0	-	-	65.5	590.5
2	Lim Ming Chang	Non-Executive Non-Independent Director	80.0	2.0	70.0	-	-	8.9	160.9	80.0	95.0	212.0	-	-	38.0	425.0
3	Zulkarnin Bin Ariffin	Executive Director	-	-	150.0	-	-	19.2	169.2	-	-	375.0	-	-	47.5	422.5
4	Ling Chi Hoong	Independent Director	60.0	2.1	-	-	-	-	62.1	60.0	2.1	-	-	-	-	62.1
5	Chan Jee Peng	Independent Director	75.0	2.1	-	-	-	-	77.1	75.0	2.1	-	-	-	-	77.1
6	Ng Fun Kim	Independent Director	60.0	2.1	-	-	-	-	62.1	60.0	2.1	-	-	-	-	62.1
7	Lim Kon Lian (Resigned on 28 December 2021)	Executive Director	-	-	-	-	-	-	-	-	1.3	8.8	-	-	1.2	11.3
8	Tay Ben Seng, Benson (Appointed on 27 December 2021 and resigned on 30 May 2022)	Executive Director	-	-	50.0	-	-	6.4	56.4	-	-	90.0	-	-	11.3	101.3
9	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
10	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

13	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
14	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
15	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

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 8.2

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 Board opts not to disclose the Senior Management's remuneration components on a 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. As an alternative, 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 is adequate, as follows:- <table border="1"><thead><tr><th>Range of Remuneration</th><th>Group Number of Senior Management</th></tr></thead><tbody><tr><td>RM300,001 to RM350,000</td><td>1</td></tr><tr><td>RM400,001 to RM450,000</td><td>1</td></tr><tr><td>RM450,001 to RM500,000</td><td>1</td></tr></tbody></table>		Range of Remuneration	Group Number of Senior Management	RM300,001 to RM350,000	1	RM400,001 to RM450,000	1	RM450,001 to RM500,000	1
Range of Remuneration	Group Number of Senior Management										
RM300,001 to RM350,000	1										
RM400,001 to RM450,000	1										
RM450,001 to RM500,000	1										
<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.									

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	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 8.3 - 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	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

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 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	Mr. Chan Jee Peng is the Chairman of the ARMC whilst the Chairman of the Board has yet to be appointed. 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.	
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 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	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. 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.	
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	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	The Board had established an External Auditors Assessment Policy which sets out the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability and independence of the External Auditors covering amongst others, the following:- (a) Calibre of the audit firm; (b) Quality of the audit engagement team; (c) Quality of communication and interaction with the audit team; (d) Audit scope and quality processes; (e) Audit governance and independence; and (f) Audit fee. The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors. The ARMC obtained assurance from the External 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. The Board, upon the recommendation of the ARMC, had recommended the re-appointment of the External Auditors for the financial year ending 31 December 2023 for shareholders' approval at the forthcoming 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	:		
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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 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	All the members of the ARMC are Independent Non-Executive Directors and as such, there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgement independently.

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 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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 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. 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. In addition, during the ARMC meetings, the ARMC members were also briefed by the External Auditors on the development or changes in the applicable Malaysian Financial Reporting Standards, International Financing Reporting Standards and the relevant accounting requirements under the Companies Act 2016. All ARMC members have undertaken ongoing training and development to keep abreast of the latest developments and changes to the regulatory environment and ensure that they are equipped with the relevant knowledge and skills in discharging their duties effectively. The details on training programmes, seminars and forums attended by ARMC members in the FPE 2022 are disclosed in the AR 2022.
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 10.1

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

Application	:	Applied
Explanation on application of the practice	:	The Group has 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 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 2022. 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 2022.
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 10.2

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, 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. For the FPE 2022, 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 during the ARMC Meeting on a half yearly basis for review to ensure adequate coverage. 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. 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 2022.
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 10.3 - 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 ARMC comprises all Independent Non-Executive Directors and its scope and function are set out in the Terms of Reference which is available on the Company's website at www.lklbeds.com .

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 11.1

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 ARMC recognises that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness and adequacy of the Group's internal control system. The Company's internal audit function has been outsourced to an independent professional firm, Talent League Sdn. Bhd. ("Talent League" or "Internal Auditors") to assist the ARMC in discharging its duties and responsibilities in respect of reviewing and assessing the adequacy and effectiveness of the Group's risk management and internal control systems. The Internal Auditors report directly to the ARMC, which in turn reports to the Board. In performing their duties, the Internal Auditors have free and unfettered access to information and to meet with any of the department heads or persons in charge. The internal audit function of the Group is effective and remains independent all the time. The internal audit function is set out in the Statement of Risk Management and Internal Control and ARMC Report in the AR 2022. The Internal Auditors carried out the internal audit function based on the internal audit plan approved by the ARMC. The audit findings together with Management's response and proposed action plans have been reviewed by ARMC at its scheduled meetings. In addition, follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis. The Internal Auditors communicate regularly and report directly to the ARMC on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group. The Internal Auditors are also invited to attend the meetings of the ARMC and Board, whenever required.
Explanation for departure	:	

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

Intended Outcome

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

Practice 11.2

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 internal audit function is outsourced to Talent League Sdn. Bhd. (“Talent League”) which is independent of the operations and activities of the Group. The engagement team from Talent League is free from any relationship or conflict of interest, which could impair their objectivity and independence. Talent League deploys a team of three (3) to four (4) internal auditors per visit for each internal audit review, led by Mr. Roy Thean. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Institute of Internal Auditors Malaysia. He has more than 20 years of experience working for local and international professional services firms, where he has served a diverse range of clients. He has helped public listed companies, multinational enterprises, and large national companies with a wide range of professional services. His specialty lies in corporate finance and advisory work, particularly in transaction support services such as business valuations, financial due diligence, business plan and financial model preparation, internal control and business risk review, corporate governance, risk management, merger and acquisition services, and internal and external auditing. To ensure that the audit staff are professionally guided and trained to perform their duties during the internal audit review, the Group's internal audit function adheres to the International Professional Practices Framework issued by the Institute of Internal Auditors. Talent League also adopts a risk-based approach when preparing its audit strategy and plans, analysing the risk profiles of each business unit within the Group and tailoring its approach accordingly. The ARMC was satisfied with the competency, experience and resources of the internal audit function for discharging its role and responsibilities.

	Further details of the internal audit activities are disclosed in the ARMC Report and Statement on Risk Management and Internal Control of the AR 2022.	
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 12.1

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

Application	:	Applied
Explanation on application of the practice	:	The Board values the importance of the dissemination of information on major developments of the Group to the shareholders, potential investors and the general public in a timely and equitable manner and hence, a Corporate Disclosure Policy has been adopted. The quarterly results, announcements, annual report and circulars serve as primary means of dissemination of information so that the shareholders are constantly kept abreast of the Group's progress and development. The Company's corporate website at www.lklbeds.com serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news and events relating to the Group. The Company's AGM remains a principal forum used by the Group for communication with its shareholders. At the AGM, shareholders will be accorded time and opportunity to raise questions on the proposed resolutions and also matters relating to the performance, developments within and the future direction of the Group. The Board will also ensure that each item of special business that is included in the notice of meeting is accompanied by a full written explanation of that resolution and its effects to facilitate its understanding and evaluation.
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 12.2

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

Application	:	Not applicable – Not a Large Company	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a Large Company as defined under the MCCG and hence, has not adopted integrated reporting based on a globally recognised framework.	
		The Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make informed decisions. 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 and Discussion 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 non-financial reporting practices is adequate and able to comply with globally recognised integrated reporting standards, the Company will implement this as soon as it is practicable.	
<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 13.1

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 of the 7th AGM of the Company held on 15th March 2022, was sent to the shareholders on 31st January 2022, which is more than 28 days prior to the date of the 7th AGM. This has given sufficient time to shareholders to review the Annual Report and consider the resolutions for any questions they might wish to raise at the AGM. The notice for convening the forthcoming 8th AGM of the Company will be sent to the shareholders at least twenty-eight (28) days before the date of the 8th AGM as well.	
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

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

Practice 13.2

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	:	The 7th AGM convened on 15th March 2022 and the Extraordinary General Meeting (“EGM”) convened on 20th September 2022, were attended by all Company Directors, including the respective Board Committee Chairmen. The Senior Management and External Auditors also participated in the 7th AGM and EGM virtually. During the meetings, the Chairman invited shareholders to pose questions regarding the Company's audited financial statements and other agenda items up for approval. All queries were duly addressed, and responses were provided accordingly. The Directors of the Company prioritise attendance at all general meetings, and the Board Committee Chairmen strive to provide thoughtful and informative responses to questions posed to them.
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 13.3

Listed companies should leverage technology to facilitate—

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	The Company conducted the 7th AGM and EGM on 15th March 2022, and 20th September 2022, respectively, using a fully virtual platform with remote participation and voting ("RPV"). By employing this method, shareholders could safely engage in the meetings while adhering to the Government of Malaysia's health guidelines, which discourage large gatherings and promote social distancing to curb the spread of COVID-19. The Securities Commission Malaysia also encourages the use of fully virtual platforms for conducting meetings. <u>Remote shareholders' participation in General Meetings</u> Shareholders are able to attend, speak (including posing questions to the Company/Board) and vote remotely at the 7th AGM and EGM without being physically present at the meeting venue. Shareholders may also appoint proxies to participate on his/her behalf by submitting the duly executed proxy form to the Company's Share Registrar in hard copy or by electronic means. <u>Voting in absentia</u> For shareholders who are unable to attend the meetings remotely, they may exercise their voting rights by appointing the Chairman of the meeting as his/her proxy with a pre-determined proxy form. Shareholders will be allowed to cast their vote via an online platform at the time of the meeting until a time when the Chairman of the meeting announces the completion of the voting session. The forthcoming 8th AGM will also be held on fully virtual and entirely via RPV.
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 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>		
Application	:	Applied
Explanation on application of the practice	:	The Chairman ensures that the general meetings cater an important opportunity for effective communication with, and constructive feedback from the shareholders. Shareholders were encouraged to post their questions to the Board using the question & answer panel throughout the 7th AGM and EGM. The Company facilitates and encourages shareholder participation at its 7th AGM and EGM. The meetings provide an update for shareholders on its performance and offer an opportunity for shareholders to ask questions and vote. The Executive Director read out and answered the relevant questions received. All the Directors, Senior Management and External Auditors also attended the 7th AGM and EGM to respond to questions posted by shareholders.
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 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>		
Application	:	Applied
Explanation on application of the practice	:	The Board has engaged Mlabs Research Sdn. Bhd. ("Mlabs") to provide the RPV facilities to conduct its 7th AGM and EGM. The detailed procedures to participate in the meeting remotely were provided to the shareholders in the Administrative Notes prior to the 7th AGM and EGM. Mlabs has in place a meeting platform that allows shareholders to participate online, using a smartphone, tablet or computer as well as view a live webcast of the meeting. Real time submission of typed texts is also available to encourage interactive participation from the shareholders. Voting procedures will be explained at the meeting and an independent scrutineer will be appointed to validate the votes. Votes cast, for or against and the respective percentages, on each resolution will be displayed on the screen and subsequently announced to Bursa Securities.
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 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The minutes of the 7 th AGM were not circulated to the shareholders, however, the Summary of Key Matters discussed at the 7 th AGM was published on the Company's website at www.lklbeds.com .
<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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